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ABSTRACT

Transcripts of the hearing held in Washington, D.C. in May and June 1977 include statements of the commissioner of education, veterans affairs administrators and interest groups, university representatives, and representatives of higher education associations. Prepared statements are included for representatives of these and similar groups, and from state agency representatives. (MSE)

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OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

OVERSIGHT HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, D.C.
MAY 25; JUNE 1, 8, 9, 16, AND 21, 1977

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*

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OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

WEDNESDAY, MAY 25, 1977

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10:20 a.m., pursuant to notice, in room 2257, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Blouin, Cornell, Simon, Mottl, Erlenborn, Buchanan, and Shuster.

Staff present: Thomas Jolly, subcommittee counsel; Patricia Morse, subcommittee clerk; Roberta Stanley, legislative assistant; Robert Andringa, minority staff director.

Mr. **Ford**. We will call the subcommittee to order.

First, I would like to apologize to everyone for being late. This is turning out to be an extremely busy day, with the Clean Air Act on the floor this afternoon, which is of some interest to the Members of Congress from Michigan and other places around the country.

We had to rearrange our schedule so that a program that was scheduled for 3 this afternoon to present some scholarships was shifted around to 9 this morning. Those of us who don't go downtown at 9 very often would be amazed and surprised about how badly the Congress runs the traffic situation down there.

My colleagues will be returning as soon as they finish this vote.

I want, of course, to thank Commissioner Boyer and the people that have come with him for their patience and especially apologize to him for being late. Please let me assure you we are very anxious to have the benefit of and to develop further the communications you have been so generous in opening up to us.

We meant absolutely no disrespect by not being here waiting for you this morning.

This marks the beginning of a series of hearings that we expect to hold in Washington and, subsequently, in other parts of the country, I would imagine.

The Subcommittee on Postsecondary Education will pursue, under rule X of the Rules of the House of Representatives, oversight of education programs within the jurisdiction of other committees which go far beyond the legislation which is within the jurisdiction of this committee.

The Congress acted specifically, in a recent reform, to confer upon the Committee on Education and Labor oversight authority over all educational programs wherever they can be found, regardless of what committee has legislative jurisdiction. Of course, it is not intended, in anyway, to interfere with or impose any impediments on operations of the committee having jurisdiction.

The rules of the House Education and Labor Committee, of course, have provided for some time that this Subcommittee on Postsecondary Education shall have jurisdiction over all Federal education programs beyond the high school level.

The postsecondary education programs within the jurisdiction of this subcommittee were extended last year by Public Law 94–482, and became law on October 12, 1976. It is our intention, of course, during the course of this Congress— and these hearings are the beginning of that—to follow up that massive bit of legislation with some indepth oversight on the operation of the programs that have so recently been reviewed.

Since I became chairman of the subcommittee, in February of this year, the staff of the subcommittee and I have been meeting informally with representatives of the postsecondary education community—I might say for a pleasant change—on an informal and informative basis. Whenever we had questions for representatives of the administration, we have had extended to us a great attitude of cooperation in all that we have asked, and in some things we haven't asked, from Secretary Califano, Commissioner Boyer, as well as Assistant Secretary Berry.

We appreciate very much the fact that the avenues of communications have opened in this fashion because it is not our intention to have sensational discoveries. We hope there won't be any sensational discoveries in these hearings.

It is our intention to make it possible for Congress, particularly this committee and perhaps other people as well, to understand more fully than we do now how these programs work; more particularly, how they interrelate; and in some instances, if that be the case, how they are not working.

Pursuant to the informal discussions we have had, both with the educational community and the people in government as problems have come to our attention with regard to veterans' education, we have found the new VA Administrator, Max Cleland, to be very willing to sit and discuss these problems with us from the educational perspective that we bring to the questions as distinguished from the approach that the other committees use. I am grateful to him for that.

We know that the administration has been busy with personnel appointments for the top policymaking positions and we know many people are in their positions without having had a great deal of opportunity to do much but try to get themselves organized.

We know, from their point of view, these hearings may seem early. But we hope that everyone understands that the hearings are not a start-and-stop organization.

As we ask people to visit with us during the course of the hearings, we expect to develop an opening and continuing record so no one will be foreclosed or shortstopped in any way from being early on the schedule, as distinguished from coming along after others have made their contribution.

I might say that, after today, the order of appearances has nothing to do with the order of importance to be placed on witnesses. For today, we decided to have the very best first.

I might add that a document published by the Congressional Budget Office, in February 1977, entitled "Postsecondary Education: The Current Federal Role and Alternative Approaches," points out that only a portion—that is, about $3.2 billion, or 22.3 percent, of the 1977 outlays of the Federal higher education budget is contained in the higher education subfunction of the budget.

The report points out that the higher education subfunction does not include veterans' benefits, social security student benefits, or support for academic research. However, the report tells us that the higher education subfunction does contain most of the controllable programs that are oriented toward higher education goals.

We do know that, in addition to the higher education subfunction dollars, in fiscal 1977, $3.859 billion was paid out in veterans educational benefits. This comprises 26.9 percent of the Federal postsecondary education funding for fiscal 1977. It is clearly the largest Federal student assistance program that we have in existence today.

In addition, we know that $1.183 billion was paid out for social security student benefits, comprising 8.2 percent of the total higher education budget.

Today, we have before us the Honorable Ernest Boyer, U.S. Commissioner of Education, accompanied by several from the U.S. Office of Education. We will have him introduce them in a moment.

We hope he will be able to give us an overview of the student assistance programs within the jurisdiction of the Office of Education. Since he has been authorized to represent the Secretary of HEW with respect to these hearings, we hope Mr. Boyer will be able to tell us about any other student assistance programs which may be administered by HEW but are not within the jurisdiction of the Office of Education.

Subsequent to this hearing, the subcommittee plans to hear from people and institutions which benefit from the Federal student assistance programs, as well as other Federal officials involved in the administration of these programs, such as the Administrator of the Veterans' Administration, the Secretary of Agriculture, and others.

Our first witness, Commissioner Boyer, I think, should be commended for his efforts, along with those of Secretary Califano, in responding to the paperwork crisis which seems to be so closely associated with Federal postsecondary education programs.

Commissioner Boyer, I want to particularly commend you for your particular efforts in organizing the structure of the Office of Education and establishing a new Bureau of Student Assistance. I am pleased with the announcement this week of your plans to eliminate the duplicate BEOG application form; your plans to introduce a common date for processing student aid applications; and your efforts to streamline and simplify the process by which postsecondary education institutions apply for funds for the campus based programs. If you can succeed with these initiatives, in cutting down the paperwork load on the college campus, your name will be praised on the campuses around the country.

Without objection, the statement presented by the Commissioner will be inserted in full at this point in the record.

[The prepared statement of Commissioner Boyer follows:]

FOR RELEASE UPON DELIVERY

Statement by
Honorable Ernest L. Boyer
U.S. Commissioner of Education
U.S. Office of Education
Department of Health, Education, and Welfare
Before the
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives
Wednesday, May 25, 1977
10:00 a.m.

Dr. Boyer is accompanied by:

Dr. Leonard H. O. Spearman, Acting Deputy Commissioner, Bureau of Higher and Continuing Education, U.S. Office of Education

Mrs. Mary Jane Calais, Acting Associate Commissioner for Guaranteed Student Loans, U.S. Office of Education

Mr. Richard J. Rowe, Acting Associate Deputy Commissioner, Bureau of Higher and Continuing Education, U.S. Office of Education

Mr. Peter K. U. Voigt, Director, Division of Basic and State Student Grants, Bureau of Student Financial Assistance, U.S. Office of Education

Mr. David C. Bayer, Chief, Planning Branch, Division of Program Development, Office of Guaranteed Student Loans, U.S. Office of Education

Linda Chavez, Special Assistant to the Assistant Secretary for Legislation (Education), HEW

Dr. Albert L. Alford, Assistant Commissioner for Legislation, U.S. Office of Education

[illegible] William Dingeldein, Director, Education Budget Analysis Division, HEW

Mr. Chairman:

I welcome this opportunity to report to you on the status of our student assistance programs.

When oversight hearings were last held in May and June of 1974, we were just completing the 1974 Fiscal Year. At that time $1,656,279,000 had been spent in the student assistance programs. Since that time there has been dramatic growth in these programs. Today, as we near the end of Fiscal Year 1977, student assistance expenditures are close to $3,370,000,000.

And there are other statistics which are equally impressive: 2.8 million students are being served; 8,756 postsecondary education institutions are actively involved. During Fiscal Year 1977, 2,554,000 grants, 1,882,000 ~~667,000~~ loans and 875,000 ~~375,000~~ work opportunities were made available. In addition, every one of the 50 States and most of the territories now share in the State Student Incentive grants.

This expansion has not been without discomfort and some pain. There has been some fraud and abuse, and default rates are all too familiar to you.

Not all of these problems are behind us to be sure, but we are determined to see to it that these essential programs are both serviceable to students and well managed.

First, we have asked for and received through the appropriations process new positions to focus exclusively on fraud and abuse. Second, we have established a new Bureau of Student Financial Assistance. This new Bureau, bringing together in one place the Basic Grant, State Student Incentive Grant, Supplemental Educational Opportunity Grant, College Work-Study, and National Direct Student Loan Programs (previously in the Bureau of Postsecondary Education), the Guaranteed Loan Program, (previously in the Office of Management), and the newly authorized Health Professions Guaranteed Loan Program. The reorganization will, we are convinced, bring better control and coordination to student assistance. Basic procedure, such as the way data are collected and assembled, are better managed when the programs are under the same management.

Third, we are selecting top professional leadership to direct this program.

Your invitation to appear today indicated your interest not only in examining our own internal coordination but in our relationship to other assistance programs--the Health Professions Act, the Social Security Act, and the Veterans Education and Employment Assistance Act. As noted previously, the new Health Professions Guaranteed Loan Program has been moved to the new Bureau of Student Financial Assistance. On the other hand, even though the Veterans and Social Security programs are expending substantial sums for student assistance, $1,310,000,000 from Social Security and $4,300,000,000 from the Veterans Administration, our direct relationship at the national level with these programs is limited. However, on the campus, the financial aid officer, takes into consideration all of these separate programs in putting together a package of assistance for the student.

Insofar as need is determined by Federal formula--for example in arriving at a Basic Grant entitlement--income from these sources is included in the computation.

In addition to better management, we are also moving vigorously to simplify the process. Just this week, Secretary Califano announced a new arrangement which will eliminate a duplicate Basic Educational Opportunity Grant program application form for 2.5 million families.

At present, most students applying for campus-based and Federal financial help must fill out two separate forms: One for the college and another for the Office of Education. Under the new plan, the second form will be eliminated. Students will no longer have to fill out a separate Basic Grant application. The Office of Education will use the information secured by the college--using either a College Scholarship Service (CSS), American College Testing (ACT) or a State scholarship form--to determine student financial need and to establish his or her eligibility to receive a Basic Grant.

A common date to start the processing of all student aid applications also will be introduced. Students and parents will be given the forms after December 1, with instructions that they are to be filled out and filed after January 1. This distribution date--which is currently used by BEOG--is later than the one now used by ACT and CSS. However, this new schedule will make it possible for families to report actual annual income to establish need rather than estimated annual income. This will assure that this grant money is going to those students and families who need it.

We estimate, for example, that by using the actual income figure for the campus-based program $65 million of misdirected funds will be saved.

For those colleges and universities still wishing to make early admission decisions, an early application procedure is being developed by CSS and Act. "We intend to accommodate those universities and colleges who need more flexibility," Secretary Califano said.

Further, we have moved to streamline and simplify the process by which institutions apply for money under the campus-based programs. Currently, colleges and universities must reapply every year and in a cumbersome way to participate in this program. Regulations are now being developed which will permit the majority of institutions to use an abbreviated form. If there have been no substantial shifts in funding patterns or in program direction, institutions will use a short form based on their current year funding level. This will simplify the procedure and sharply reduce the paperwork. It will also provide for more equitable and uniform treatment of all applications. The new regulations will be published early this summer and will be in place when the next application review process occurs next October.

Also, the student assistance programs have launched a coordinated training activity to promote efficient management of the programs. A comprehensive handbook which will include Basic Grants, the campus-based programs, and the Guaranteed Student Loan Program is being prepared to focus on the proper administration of the programs.

In addition, the 1976 Amendments authorized a program of Federal/State matching funds to establish State programs to train student financial aid administrators. We have held a workshop on the new program and conducted other meetings to discuss criteria. Application forms and materials have been mailed out with an application deadline of June 10. It is anticipated that awards will be announced by June 30. In planning these training programs, we have been working closely with the Coalition for Coordination of Student Financial Aid, a nonprofit private organization which represents all segments of the postsecondary education community--institutions, financial aid officers, States and students. The Coalition is an outgrowth of the 1974 National Task Force on Student Aid problems, which was chaired by former Commissioner of Education Francis Keppel. We are determined to see to it that all major training activities are nonduplicative and provide for the greatest possible coverage and for effective and efficient administration.

Mr. Chairman, I'd also like to say a word about a growing problem--the independent student. As you know, in the sixties when most of our student aid was introduced, it was assumed that students were dependent upon their parents for support. This picture has, as you know, shifted sharply in recent years. The percentage of independent students eligible for Basic Grants has grown from 13.3 percent in the first year of operation in 1973-74 to 38.2 percent in the current year. This obviously has a dramatic impact on the whole concept of the family contribution--the assumption upon which our present assistance package is based. In addition, with the traditional college-aged population leveling off, a greater portion of students are non-traditional above the traditional college going age. Here again, we are considering what adjustments might be made to accommodate that clientele.

Our review of the program also includes exploring strategies for addressing the needs of middle-income students. The programs at present are reaching substantial numbers of lower-middle-income students and more will be accommodated as some program requirements are relaxed. Clearly, the increase in the BEOG ceiling will allow that program to serve more middle-income students, as will raising the adjusted family income level to $25,000 for the Guaranteed Student Loan Program. In addition, the 1976 amendments provided for up to 1/3 of the participants in certain special services programs to come from other than low-income families.

A Task Force has been established to see what might be done to expedite implementation of the new Health Professions Guaranteed Loan Program. There are significant differences from the existing Guaranteed Loan Program--most notably the lack of any interest subsidy or special allowance--which require careful attention and warrant a cautious approach.

We are implementing the changes authorized last Fall in the Education Amendments of 1976. A Regulations Task Force has been coordinating the development and publication of necessary regulations. Extra effort has been exerted to insure a wide public involvement. Just two weeks ago a series of hearings were held across the country on a major portion of the regulations. Proposed regulations have been published for the new Student Consumer Information provisions and for the authority to limit, suspend, or terminate an institution's eligibility for the student assistance programs.

Mr. Chairman, we have compiled a more detailed history and status report on each of the programs which we would like to submit for the record.

We will be pleased to respond to any questions from the Committee.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

I. Legislative History

Supplemental Opportunity Grants were authorized under the Educational Amendments of 1972 but are in many ways an extension of the Educational Opportunity Grants authorized under Title IV of the Higher Education Act of 1965. The purpose of the EOG program was to provide grants, through institutions of higher education, to qualified high school graduates of exceptional financial need, who otherwise would be unable to pursue higher education. From 1966 through 1973 the EOG program served as the grant aid component of the three-part campus-based Federal student assistance programs--NDSL, CWS and EOG.

When the Basic Educational Opportunity Grant Program was initiated in 1972, the Educational Opportunity Grant Program was restructured to serve as a supplement to the new program and was renamed the Supplemental Opportunity Grant Program. The effective date of the SEOG program was July 1, 1973. In this first year of operation, only initial year grants were funded. Subsequent appropriations provided for both initial and continuing year awards.

Institutions of higher education are authorized to make supplemental grants to undergraduates who are enrolled on at least a half-time basis. The amount of a grant may not exceed $1,500 or one-half the sum of the student financial aid provided by the institution, whichever is the lesser amount. The minimum grant is $200 per academic year. Normally, the period of payments may not exceed 4 years, although that period may be extended for one year if circumstances require a fifth year of study to complete an undergraduate study program. The aggregate grant payments may not exceed $4,000 or $5,000 depending on whether the duration of the grant is 4 years or 5 years, respectively.

Every grant must be matched by the institution from specified sources which include the Basic Grant Program, the College Work-Study Program, National Direct Student Loans, State Scholarships, private funds, and institutional revenues.

In order to qualify for the SEOG program, the amendments stipulate that students must be of "exceptional financial need," who but for the grant, would be unable to attend the institutions of their choice. While the statute does not define exceptional financial need, the interim regulations which were published in the Federal Register on November 24, 1976 define that term as the condition of a student whose expected family contribution does not exceed one-half the cost of attendance at the institution where the student enrolls. The need for a supplemental grant is therefore directly tied to the cost of attendance at the institution of the student's choice and his lack of financial means to enroll. The statute also stipulates that an institution participating in the SEOG program should make a vigorous effort to identify qualified young people of exceptional need and to encourage them to continue into postsecondary education.

To assist with program operation the statute makes it possible for an institution to withdraw from its Federal allocation an amount of up to 4 percent of its grant expenditures as a payment in lieu of reimbursement for administrative expenses. The total amount to be withdrawn from SEOG, NDSL, and CWS funds for this purpose may not exceed $325,000 per fiscal year at any institution.

II. The Operation of the SEOG

The Supplemental Educational Opportunity Grants Program is currently administered under agreements between the U.S. Commissioner of Education and 3,406 participating institutions of postsecondary education. Under the terms of agreement, the institutions are responsible for all steps leading to making grants to students. These steps include recruitment of students, determination of need, and proper packaging of the grant with the matching equivalent. It is estimated that as many as 6,000 institutions may be eligible to participate in the program.

Institutions annually submit an application for funds to operate the Supplemental Educational Opportunity Grants program in the upcoming fiscal year. These applications (which are part of a tripartite application covering the three campus-based student financial aid programs) are submitted to the appropriate Regional Offices of Education, where they are reviewed by panels of experts in student financial aid. The regional panels recommend to the appropriate Regional Director of Postsecondary Education a recommended funding level for initial year awards for each institution. After the Regional Director of Postsecondary Education reviews these recommendations, a notice of recommended funding levels is sent to each institution. There is an opportunity for an institution to appeal the first review group's decisions to a regional appeal group and subsequently to a national appeal panel. After all the recommended funding levels are established, the amounts recommended for initial year awards and for continuing year awards are totalled by State.

The appropriation for initial year funds is divided among the States according to statutory formula, which specifies that ninety percent of the funds shall be allotted among the States in such a manner that each State's proportionate share of the amount so allotted is equal to its proportionate share of the national full-time enrollment and the full-time equivalent of part-time enrollment in institutions of higher education. The remaining 10 percent is first used to raise each State to at least the level of its original allotment (prior to reallotment) for initial year funds for Fiscal Year 1972 under the former EOG program, if its allotment from the 90 percent portion is less than that level. (If the 10 percent portion is insufficient to bring all States to at least the level of their original allotments for Fiscal Year 1972, the regulatory procedure established by the Commissioner is to raise all States whose allotment from the 90 percent is less than their Fiscal Year 1972 allotment to a uniform minimum percentage of their Fiscal Year 1972 allotment.) The regulatory procedure for distribution of any remaining funds is to distribute them to the State(s) in which the allotments made thus far constitute the lowest percentage fundable of the aggregate panel recommendation.

The regulatory procedure established for allotment of continuing year funds is to divide the amount available for continuing year funds by the aggregate national amount recommended for continuing year funds, to determine a uniform national percentage for continuing year funds.

The initial-year allocations for the institutions in each State are then determined by multiplying each institution's recommended amount for initial year funds by the final initial year percentage fundable for that State, so that all institutions within a State receive the same pro rata share of their panel-recommended amounts. The continuing year allocations for the institutions in each State are determined by multiplying each institution's recommended amount for continuing year funds by the uniform national percentage fundable.

Institutions submit an annual report of their SEOG program activity to the Office of Education. The report shows the number of initial year, continuing year recipients and the amounts for both types, and the amount claimed for administrative expenses.

Table I shows the cumulative findings from the institutional reports and the demand for the EOG program through Fiscal Year 1973 and the demand for the SEOG program for Fiscal Years 1974 through 1977. Basically, demand is the result of numbers of participating institutions, numbers of eligible students, the cost of attendance, and the availability of other student aid resources.

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TABLE I
(Supplemental) Educational Opportunity Grants Program
Fiscal Year 3/

	1967 (4)	1968	1969	1970	1971	1972	1973	1974 (4)	1975	1976	1977
Original Request 1)	105,520	124,000	174,000	219,980	244,995	298,000	420,980	[illegible]	571,246	873,412	693,861
Recommended Funding Levels 1)	73,874	115,297	159,884	189,384	228,049	259,084	361,281	468,095	458,814	518,091	590,470
Federal Funds Available 1)	57,924	108,772	136,808	144,787	184,800	177,780	210,300	210,300	210,300	240,300	240,083
Expenditures:											
Initial Year 1)2)	45,879	56,213	60,963	50,752	72,568	78,352	83,832	200,000	97,087	121,301	121,187
Renewal/Continuing Year 1)2)	- -	36,094	53,718	74,999	78,763	88,972	105,186	- -	107,087	112,000	111,983
Administrative Expense 1)2)	- -	- -	- -	3,082	3,678	4,304	5,173	5,295	6,126	6,999	5,983
Total Dollars Expended 1)2)	45,879	92,311	114,681	128,833	155,007	171,628	194,191	205,235	210,300	240,300	240,083
Number of Students:											
Initial Year 2)	123,165	132,791	143,302	116,442	155,895	156,130	181,772	395,950	190,[illegible]	243,000	242,000
Renewal/Continuing Year 2)	- -	69,264	111,317	136,979	141,440	164,239	169,769	- -	210,000	204,000	203,000
Total Number Students 2)	123,165	202,055	254,619	253,421	297,335	320,369	351,541	395,950	400,000	447,000	445,000
Average Grant Per Student 2)	373	457	450	520	509	522	570	505	510	530	524
Number of Institutions	1,383	1,615	1,780	1,950	2,100	2,200	2,302	2,872	3,000	3,400	3,349
Average Award Per Institution 1)	42	67	77	74	78	80	81	73	68	69	68

1) Thousands of Dollars
2) For FY 1967 through 1973, entries are actual as taken from annual fiscal-operations reports; FY 1974 entries are Preliminary Data; entries for FY 1975 through 1977 are estimated.
3) Year Begining July 1 and ending June 30 - Year in which funds are available, regardless of the year for which appropriated
4) In first year of EOG Program (FY 1967) and first year of SEOGP (FY 1974), all awards were initial year awards.

TABLE II

TITLE IV-A, SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

PERFORMANCE DATA

OUTPUT MEASURES	FISCAL YEAR											
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Percent Distribution of Students Aided By Gross Family Income Category 1/	4/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2/ 100.0%	3/ 100.0%	4/
$0-6,000		70.7	68.1	69.0	69.0	73.1	70.0	70.9	64.3	59.7	49.4	
$6,000-9,000		25.5	27.3	26.0	26.0	24.6	27.0	27.1	32.9	27.8	27.2	
$9,000 or more		3.8	4.6	5.0	5.0	2.3	3.0	2.0	2.8	12.5	23.4	
Percent Distribution of Students Aided By Ethno-racial Category	4/	4/	4/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2/ 100.0%	3/ 100.0%	4/
Black (Not of Hispanic Origin) 5/			-	19.1	22.9	29.5	33.4	35.2	[illegible]	35.0	34.8	
American Indian or Alaskan Native 5/				0.3	0.4	0.6	1.0	1.0	1.0	0.9	1.1	
Asian or Pacific Islander 5/				0.7	0.9	1.3	1.1	1.0	1.1	1.0	1.2	
Hispanic 4/				3.3	5.2	5.6	8.3	8.5	8.4	8.4	10.4	
White (Not of Hispanic Origin) 5/				76.6	70.6	63.0	56.2	54.3	54.3	54.7	52.5	

1/ Data prior to FY 1971 based on both undergraduate and graduate dependent and independent students. Data from FY 1971 is based on undergraduate dependent students only.
2/ Data based on preliminary tabulations of 1974 Fiscal Operations Reports.
3/ Data based on preliminary tabulations of 1975 Fiscal Operations Reports.
4/ Data not yet available; however, FY 1976 data not expected to vary greatly.
5/ The ethnic/racial categories have been changed in accordance with the Federal Interagency Committee on Education's report entitled FICE Report: Racial/Ethnic Categories, which develops racial/ethnic categories to be used governmentwide in collecting ethnic data.

NATIONAL DIRECT STUDENT LOAN PROGRAM

I. Legislative History

Title II of the National Defense Education Act of 1958 authorized a program of low-cost, deferred-repayment loans funded 90 percent with Federal monies, and 10 percent with institutional monies administered directly by postsecondary institutions for their full-time undergraduate and graduate students. After 1964 the authorization was extended to half-time undergraduate and graduate students who are in need of these loan funds to pursue their course of study in postsecondary institutions.

The National Defense Student Loan Program as originally conceived was designed to assist colleges and universities in establishing revolving loan funds in order to aid needy students. Although approximately 150 institutions have reached the stage of requiring no further Federal capital contributions because an adequate supply of new loans can be provided solely from collections, the majority of participating institutions has not yet successfully achieved this objective.

Since the program's inception, these loans have generally been made without "security or endorsement." Originally, the loan amounts were limited to an annual maximum of $1,000 and an aggregate maximum of $5,000. The Education Amendments of 1972 established new cumulative loan limitations: $2,500 through the first two years, $5,000 through completion of the bachelor's degree, and $10,000 through completion of graduate or professional study. These loan limitations replaced the former annual loan maximums. At that time, the program was reauthorized as the National Direct Student Loan under the Higher Education Act of 1965 (as amended).

No interest is charged students during the period they are in attendance at an institution of postsecondary education as at least half-time students and during the grace period following cessation of such attendance, which was originally one year and is now 9 months. Interest is charged at the rate of 3 percent per annum on the unpaid balance during a repayment period that normally is spread over a ten year period. Deferments of loan repayments are given for:

(1) up to three years of service in the armed forces;
(2) up to three years of service in the Peace Corps or Vista; and
(3) any period of continued education on at least a half-time basis in an institution of higher education.

It should be noted that the NDSL program was the first part of a troika (including College Work-Study and Supplemental Educational Opportunity Grants) that would ultimately be referred to as the campus-based programs. With the advent of CWS and EOG (now SEOG) in 1964 and 1965, respectively, the Federal Government had put into place the prototype of the Grants/Loan/Work concept to provide diversified resources in student assistance to be administered by institutions. A second loan program, the Guaranteed Student Loan Program, was authorized by the Higher Education Act of 1965.

Student Eligibility

Loans were made available for half-time study in 1964. In addition, the requirement that preference be given to students in certain areas of preparation and/or study was repealed by the 1965 Amendments to the Act (P.L. 88-665). The 1968 Amendments (P.L. 90-575) provided for the elimination of special consideration for students of superior academic background. The

Education Amendments of 1972 (P.L. 92-318) provided that in determining the need of veterans for such a loan, an institution shall not take into account the income and assets of their parents. The 1976 Amendments permit institutions to support the eligibility of students who have not maintained good standing without notifying the Commissioner.

Provisions for Cancellation of Loans

The NDSL program has loan cancellation provisions that have undergone numerous permutations. At present there are three major provisions for loan cancellation. One is for military service in an area of hostilities. The second is for full-time teaching service in public or other non-profit elementary or secondary schools which (1) are in school districts of local educational agencies eligible for assistance under Title I of the Elementary and Secondary Education Act of 1965, and (2) are schools in which the enrollment of neglected delinquent, or handicapped children, or children from low-income families, is greater than 30% of the entire school's enrollment. In this case, the borrower may have all of his loan cancelled at the following rate: 15 percent per annum for each of the first two complete years of teaching service, 20 percent for each of the third and fourth complete years of teaching service, and 30 percent for the fifth complete year of such service. The third provision is for service as a full-time staff member in a preschool program carried out under the Head Start Program. Such a borrower may have his loan cancelled at the rate of 15 percent per annum for each year of service.

II. The Operation of the NDSL Program

1. The National Defense/Direct Student Loan Program is currently administered under agreements between the U.S. Commissioner of Education and 3,167 participating institutions of postsecondary education. Under the terms

of these standard agreements, the institutions are responsible for all student contacts, including the eligibility and selection of students for loans, the determination of need, the awarding of loans, and the collection of loans from students after they leave school. It is estimated that as many as 6,000 institutions may be eligible to participate in the program.

Institutions apply annually for an approved Level of Lending for the operation of their National Direct Student Loan Fund and for a new Federal capital contribution. The approved Federal capital contribution, the institution's required capital contribution, and amounts generated from loan collection and from cash remaining in the fund from June 30 of the previous year allow the institution to provide loans to needy students. These applications (which are part of a tripartite application covering the three campus-based student financial aid programs) are submitted to the appropriate Regional Offices of the Office of Education, where they are reviewed by panels of experts in student financial aid. The regional panels recommend to the appropriate Regional Director of Postsecondary Education a level of Lending and a Federal capital contribution for each institution. After the Regional Director of Postsecondary Education reviews these recommendations, a notice of recommended funding levels is sent to each institution. There is an opportunity for an institution to appeal the first review group's decisions to a regional appeal group and subsequently to a national appeal panel. After all the recommended funding levels are established, the recommended amounts are totalled by State.

The appropriation for new Federal capital contributions to the NDSLP is divided among the States according to a statutory formula, which specifies that 90 percent of the funds shall be allotted among the States in such a manner that each State's proportionate share of the amount so allotted is equal to its proportionate share of the national full-time enrollment in institutions of higher education. The remaining 10 percent is first used to raise each State to at least the level of its original allotment (prior to reallotment) for Fiscal Year 1972, if its allotment from the 90 percent portion is less than that level. The regulatory procedure for distribution of any remaining funds is to distribute them to the State(s) in which the allotments made thus far constitute the lowest percentage fundable of the aggregate panel recommendation. If the 10 percent portion is insufficient to bring all States to at least the level of their original allotments for Fiscal Year 1972, the regulatory procedure established by the Commissioner is to raise all States whose allotment from the 90 percent is less than their Fiscal Year 1972 allotment to a uniform minimum percentage of their Fiscal Year 1972 allotment.

The National Defense Student Loan appropriation does not result in a constant allotment to each State because the enrollment of students in institutions of higher education has increased in some States and decreased in others over the last three years. In addition, the number of institutions is increasing in several States.

After the final allotment and the uniform percentage fundable for each State have been determined, then the funds available for each State are pro-rationed among the institutions in that State, so that each institution receives the same proportionate share of its recommended Federal capital contribution as every other institution in that State.

2. Institutions submit an annual report of their loan activity in the NDSLP to the Office of Education. This report shows the cumulative status of each institution's NDSLP accounts, a cumulative summary of repayment information and of the status of past due loans, an annual report of loan volume and of the number of borrowers, and a brief review of collection activities. Additionally, statistical information concerning the racial/ethnic distribution, the male/female distribution, and the family income distribution of the borrowers is collected. A summary of the racial and income distributions of the borrowers is attached (Table IV).

3. As Table III shows, the demand for the program has increased steadily throughout its history, both in terms of the amounts requested by institutions and the amounts recommended for funding. This demand is caused by the expansion of the number of eligible students attending institutions of postsecondary education, by the increasing costs of postsecondary education, and by the increase in the number of institutions participating in the program. Since the loan volume in the early years of the program was relatively small in relation to the current demand for funds, the collections generated from prior years are insufficient to meet the current needs. In Fiscal Year 1977, for example, an estimated $240,000,000 collected on prior loans will be part of an estimated total loan volume of $575,000,000.

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TABLE III
NATIONAL DIRECT STUDENT LOAN PROGRAM
FISCAL YEAR 3)

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
ORIGINAL REQUEST 1)	NA	NA	NA	NA	NA	NA	NA	NA	NA	243,090	270,000	282,235	330,158	387,165	533,331	678,336	732,208	833,400	775,963
APPROVED FUNDING LEVELS 1)	62,000	49,380	61,200	97,600	111,700	122,000	137,100	167,000	213,900	230,236	246,430	264,050	263,180	337,154	454,068	576,870	543,175	604,083	632,081
TOTAL FEDERAL FUNDS AVAILABLE 1)	30,883	40,393	57,474	73,845	90,000	121,168	145,000	179,300	190,000	190,000	190,000	188,785	236,100	286,000	286,000	286,000	286,000	321,000	321,000
INSTITUTIONAL CAPITAL CONTRIBUTIONS 1)2)	3,423	4,512	6,582	8,155	10,058	12,031	14,448	20,170	19,836	20,816	20,629	2:,660	23,624	30,574	32,697	31,778	31,778	35,667	36,887
COLLECTIONS 1)2)	10	430	1,505	3,434	6,386	10,860	16,563	23,198	31,317	42,420	57,198	7:,234	90,762	117,317	144,266	165,000	190,000	215,000	240,000
FUNDS ADVANCED TO STUDENTS 1)2)	9,502	50,152	70,963	80,102	103,732	119,536	166,608	214,334	220,399	237,174	242,681	240,518	312,303	386,151	432,787	440,000	470,725	551,327	575,599
ADMINISTRATIVE EXPENSE 1)2)	--	--	--	--	--	--	--	--	4,305	4,338	6,197	12,716	8,702	11,945	12,434	13,457	14,122	16,560	17,268
NUMBER OF STUDENTS 2)	27,683	115,450	151,068	186,465	216,930	246,840	319,974	343,276	400,531	434,008	455,998	452,144	547,307	648,606	535,457	667,097	682,000	799,000	834,000
AVERAGE LOAN 2)	343	434	470	478	478	484	522	568	581	521	540	532	570	616	635	650	690	690	690
NUMBER OF INSTITUTIONS	1,196	1,359	1,412	1,470	1,528	1,560	1,616	1,639	1,694	1,732	1,818	.,867	2,092	2,186	2,293	2,643	2,885	3,167	3,309
AVERAGE AWARD PER INSTITUTION 1)	28	30	41	50	59	78	90	100	112	100	105	101	113	131	125	108	102	107	111

1) Thousands of Dollars

2) For FY 1959 through 1973, entries are actual as taken from annual fiscal-operations reports; FY 1974 entries are unaudited data; FY 1975 through 1977 entries are estimated.

3) Year beginning July 1 and ending June 30. Year in which funds are available regardless of the year for which appropriated

NA -- Not Available

TABLE IV

TITLE IV-E, NATIONAL (DEFENSE) DIRECT STUDENT LOAN PROGRAM

PERFORMANCE DATA

OUTPUT MEASURES	FISCAL YEAR											
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Percent Distribution of Students Aided By Gross Family Income Category 1/	4/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0% 2/	100.0% 3/	4/
$0-6,000		54.1	52.5	50.0	49.0	48.0	39.7	39.4	36.7	36.6	30.9	
$6,000-9,000		40.0	29.2	29.0	28.0	26.0	27.9	26.5	24.0	23.5	20.9	
$9,000-12,000			12.4	21.0	23.0	15.4	18.6	18.4	16.1	18.9	19.2	
$12,000 or more		5.9	5.9			10.6	13.8	15.7	23.2	21.0	29.0	
Percent Distribution of Students Aided By Ethno-racial Category	4/	4/	4/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0% 2/	100.0% 3/	4/
Black (Not of Hispanic Origin) 5/				14.4	13.7	16.5	19.4	20.4	20.7	25.8	23.0	
American Indian or Alaskan Native 5/				0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.9	
Asian or Pacific Islander 5/				0.6	0.8	0.8	0.9	1.0	0.9	1.0	1.0	
Hispanic 5/				2.4	3.0	3.2	4.5	4.8	6.8	5.9	6.1	
White (Not of Hispanic Origin) 5/				82.3	82.2	79.2	74.8	73.4	71.1	66.7	69.0	

1/ Data prior to FY 1971 based on both undergraduate and graduate dependent and independent students. Data from FY 1971 is based on undergraduate dependent students only.
2/ Data based on preliminary tabulations of 1974 Fiscal Operations Reports.
3/ Data based on preliminary tabulations of 1975 Fiscal Operations Reports.
4/ Data not yet available; however, FY 1976 data not expected to vary greatly.
5/ The ethnic/racial categories have been changed in accordance with the Federal Interagency Committee on Education's report entitled FICE Report: Racial/Ethnic Categories, which develops racial/ethnic categories to be used governmentwide in collecting ethnic data.

COLLEGE WORK-STUDY PROGRAM

I. Legislative History of the College Work-Study Program

The College Work-Study Program was originally created as part of the War on Poverty by the Economic Opportunity Act of 1964 to stimulate and promote the part-time employment of students attending institutions of postsecondary education, particularly those with great financial need. The program became part of the "three-legged stool" of student financial aid, which also included Supplemental Opportunity Grants and National Defense Student Loans. The Higher Education Amendments of 1968 repealed the College Work-Study authority under the Economic Opportunity Act and reconstituted it as Title IV, Part C of the Higher Education Act of 1965.

The Education Amendments of 1972 further divorced the program from its War on Poverty origins by eliminating the statutory preference for students from low-income families and substituting the concept of "greatest need." In the words of the statute, priority was given to "students with the greatest financial need, taking into account grant assistance provided such students from any public or private sources."

This amendment was made with the avowed intention of improving access to the program for students from middle-income circumstances and, more particularly, middle-income students enrolled in high-cost postsecondary educational programs. The thrust of this amendment was such that (a) high-cost institutions would be able to command a larger share of the funds allocated by formula to a given State, on the grounds that students enrolled at such institutions have "the greatest financial need" in comparison with students enrolled at lower cost institutions in the same State, (b) that larger awards of CWSP funds to the high-cost institutions, which enrolled a higher-than-average proportion of students from middle-income circumstances, would permit an increased number of those students to command CWSP assistance on the grounds that they have "the greatest financial need" in comparison with other students enrolled at the same institutions.

This "greatest financial need" amendment took effect concurrently with other amendments which significantly expanded the number of postsecondary educational institutions that would be eligible to participate in all of the Federal student assistance programs, including the College Work-Study Program. As the number of institutions applying for CWSP funds expands, the Federal funds are redistributed to accommodate new applicants. Under these circumstances, "the greatest financial need" tends to remain concentrated among students from primarily low-income backgrounds.

II. The Operation of the College Work-Study Program

The College Work-Study Program is administered under agreements between the U.S. Commissioner of Education and 3,215 participating institutions of postsecondary education. Under the terms of these standard agreements, the institutions are responsible for all student contacts, including the eligibility and selection of students for employment under the program, job placement, payroll administration, etc. The Office of Education provides the institution with a specific amount to pay (1) a prescribed share of student earnings under the program, which is normally established as an amount not to exceed eighty percent of the total student earnings under the program, and (2) an administrative expense allowance which may not exceed three percent of student earnings.

A very wide range of jobs may be encompassed under the program, including work for the institution itself (except in case of proprietary institutions) and work for public or private nonprofit organizations. The statute prohibits work to be performed for profit-making enterprises and also prohibits work which results in the displacement of regularly employed workers. In addition, the program regulations prohibit work which involves partisan political activity or for which there is a partisan political employment screening.

Institutions apply once a year for the College Work-Study funds which they estimate will be needed to support the employment of their students in the following academic year. These applications are submitted to the appropriate Regional Offices of the Office of Education, where they are reviewed by panels of experts in student financial aid. The Regional Panels recommend to the appropriate Regional Director a level of funding for each institution which, in the judgment of the panel, most accurately reflects the total need of the students at that institution, considering other sources of funds likely to be available for such students. Upon approval by the Regional Office, these recommended levels are totalled by State, and the funds available for any State are pro-rationed among the institutions in that State.

The appropriation for the CWSP is divided among the States according to a legislated formula. Two percent of the appropriation is set aside for institutions in Puerto Rico, Guam, American

Samoa, the Trust Territories of the Pacific Islands, and the Virgin Islands. An additional amount is reserved for the employment of students who reside in American Samoa and the Trust Territories of the Pacific Islands but attend eligible institutions elsewhere. Ninety percent of the remainder is distributed among the States according to factors specified in the Statute. The tripartite formula for distribution of ninety percent of the funds is as follows: one-third is distributed among the States according to each State's proportionate share of the aggregate full-time enrollment in institutions of higher education; one-third is distributed among the States according to each State's proportionate share of the aggregate number of high-school graduates; and one-third is distributed among the States according to the numbers of related children under eighteen years of age in families with annual incomes of $3,000 or less. Each of these factors is determined by the Commissioner of Education on the basis of the most recent year for which satisfactory data are available to him.

The remaining ten percent of the funds are used, first, to raise each State to the level of its original allotment for Fiscal Year 1972. Any funds remaining available after this procedure are then distributed according to regulatory criteria, which provide that the remainder be used to raise all States to a uniform minimum percentage of the total amounts recommended for funding to the institutions in that State.

Before the final approved amounts are determined, the institutions have two opportunities to appeal. The first appeals are based upon the Panel and Regional Office funding recommendations and are directed to the Regional Offices of Education. Any further appeals are considered by a National Appeals Panel comprised of financial aid officers and USOE student assistance personnel from both regional and central offices.

Historically, the most accepted measure of the demand for CWSP funds has been the funding levels approved by the Regional Offices on the basis of panel recommendations. These approved funding levels have been based upon the following assumptions: (1) that CWSP is only one of several programs of student financial aid and approved funding levels are therefore conditioned by the estimated availability of other student aid funds, (2) that only needy students are eligible for employment under the program, and (3) that the amount which any individual student may earn under the program is limited by the amount of his need, institutional rate of pay, and the number of hours available to work, while taking into consideration all other funds available to him from such sources as his parents, public and private scholarships and loans, grants and other employment.

The history of approved funding levels is shown in Table V. In reviewing this table, it should be remembered that the program operated under the OEO eligibility standards established by the Higher Education Act of 1965 from 1966-67 through 1972-73, and the further revised standards (extension to half-time students) contained in the Amendments of 1972 became operative in 1973-74. Considering the 1966-67 academic year as the first "normal" year under HEA eligibility standards, the level of demand for the program may be said to have increased in ten years from $139.5 million to $669.8 million. Also attached is a table (VI) which shows racial and income distributions among CWS participants.

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TABLE V
College Work-Study Program
Fiscal Year 3/

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Original Request 1)	NA	NA	155,000	174,000	233,000	274,970	321,720	345,642	453,144	543,650	614,224	785,512	734,607
Approved Funding Levels	9,400	76,[illegible]	130,500	150,000	188,000	210,320	234,300	305,100	407,615	409,650	528,802	584,000	669,751
Total Fed. Funds Avail 1)	9,400	76,488	130,500	131,000	162,000	168,415	169,062	237,400	270,200	270,200	270,200	420,000	390,000
Gross Compensation 1)2)	7,400	84,000	121,200	132,000	145,194	189,114	216,899	259,011	288,413	295,000	300,000	506,024	468,880
Federal Share 1)2)	6,660	75,600	109,080	118,800	127,770	162,091	173,519	207,929	230,730	236,000	240,000	404,819	375,004
Institutional Share 1)2)	740	8,400	12,120	13,200	17,424	27,023	43,380	51,082	57,683	59,000	60,000	101,205	93,876
Administrative Expenses 1)2)	24	353	915	1,000	1,113	4,017	6,067	7,023	7,821	7,810	9,000	15,181	14,096
Number of Students 2)	47,723	198,453	290,676	314,150	357,625	404,599	427,171	486,237	567,000	573,000	570,000	973,000	895,000
Average Earnings 2)	155	323	418	420	406	467	508	524	506	517	521	520	525
Number of Institutions	720	1,288	1,434	1,700	1,856	2,188	2,309	2,524	2,666	2,583	3,154	3,215	3,230
Average grant per Institution 1)	13	58	91	77	87	77	73	82	86	79	76	123	131

1) Thousands of Dollars
2) For FY 1965 through 1973 entries are actual as taken from annual fiscal-operations reports; for FY 1974 entries are unaudited data; FY 1975 through 1977 entries are estimated.
3/ Year beginning July 1 and ending June 30. Year in which funds are available regardless of the year for which appropriated.

NA Not Available

TABLE VI
TITLE VI-C, COLLEGE WORK-STUDY PROGRAM

PERFORMANCE DATA

OUTPUT MEASURES	FISCAL YEAR											
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Percent Distribution of Students Aided By Gross Family Income Category 1/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2/ 100.0%	3/ 100.0%	4/
$0-6,000	90.3	77.8	67.7	60.6	57.5	56.7	50.3	52.4	51.1	46.0	37.9	
$6,000-9,000	8.4	16.3	23.2	26.6	26.7	26.0	29.8	27.5	24.7	23.7	22.1	
$9,000-12,000	1.3	5.9	8.9	12.8	15.8	17.3	13.8	13.4	13.9	16.1	17.7	
$12,000 or more							6.1	6.7	10.3	14.2	22.3	
Percent Distribution of Students Aided By Ethno-racial Category	4/	4/	4/	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	2/ 100.0%	3/ 100.0%	4/
Black (Not of Hispanic Origin) 5/				17.7	17.6	20.7	23.9	25.3	25.6	27.4	25.3	
American Indian or Alaskan Native 5/				0.3	0.4	0.5	0.5	0.6	0.6	0.7	0.7	
Asian or Pacific Islander 5/				0.8	0.9	1.1	0.9	1.0	1.4	1.2	0.9	
Hispanic 4/				3.0	4.2	4.0	6.6	5.9	5.9	7.4	7.5	
White (Not of Hispanic Origin) 5/				78.2	76.9	73.7	68.1	67.2	66.5	63.3	65.6	

1/ Data prior to FY 1971 based on both undergraduate and graduate dependent and independent students. Data from FY 1971 is based on undergraduate dependent students only.
2/ Data based on preliminary tabulations of 1974 Fiscal Operations Reports.
3/ Data based on preliminary tabulations of 1975 Fiscal Operations Reports.
4/ Data not yet available; however, FY 1976 data not expected to very greatly.
5/ The ethnic/racial categories have been changed in accordance with the Federal Interagency Committee on Education's report entitled FICE Report: Racial/Ethnic Categories, which develops racial/ethnic categories to be used governmentwide in collecting ethnic data.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

I. History and Operation of the Basic Educational Opportunity Grants Program

The largest OE student financial aid program, Basic Grants, was enacted in 1972 to help support an eligible student up to a maximum of $1,400 but not in excess of one-half of the cost of attendance at the institution where he or she is enrolled. The entitlement award is made directly to the student and is viewed as a "foundation" of financial aid to help defray the costs of postsecondary education.

For the 1977-78 academic year, all undergraduate postsecondary students are eligible to apply for Basic Grant assistance. To be eligible to receive a Basic Grant a student must attend an eligible institution, be enrolled in an eligible program, and need financial assistance to continue his or her education. The student's need is determined by a formula intended as a means of measuring the financial stength of the student and his family. The formula is developed by the Office of Education in accordance with the authorizing legislation for the program, and is reviewed annually by Congress. When the formula is applied to the information submitted by the student in the Basic Grant application, a student eligibility index is obtained which is used to determine the amount of the student's Basic Grant award. The Basic Grant may not exceed one-half of the student's cost of education. It is to be used solely to meet educational expenses including tuition and fees, room and board, books and supplies, and miscellaneous expenses.

The Basic Grant appropriation for the 1973-74 academic year, the first year of program operation, was $122.1 million and eligibility was restricted to students who began their postsecondary education after

July 1, 1973 and were enrolled on a full-time basis. Awards for 1973-74 ranged from $50 - $452 aiding 185,249 students with an average award of $269. The total program expenditures were $49.8 million.

During the 1974-75 academic year, the appropriation was $475 million and award levels ranged from $50 - $1,050. Eligibility was expanded to include a second class of students who began their postsecondary education after April 1, 1973 and who were enrolling on a full-time basis. A total of 573,403 students received awards with an average award of $621 for a total expenditure of $356.5 million.

During the 1975-76 academic year, the program was fully funded for the first time since its inception. The total available was $1.0 billion with awards ranging from $200 - $1,400. Eligibility was further expanded to include third year undergraduate students who began their postsecondary education after April 1, 1973 and who were enrolling on at least a half-time basis. Over 1.2 million students received awards with an average award of $763.

For the 1976-77 academic year, the Basic Grant appropriation language no longer specifies that eligibility be restricted to those students who began their postsecondary education after April 1, 1973. Basic Grants are available to all undergraduate students who are enrolling on at least a half-time basis between July 1, 1976 and June 30, 1977. The total amount of funds available for this academic year is $1.5 billion with award levels ranging from $200 - $1,400.

Preliminary data for the 1976-77 academic year indicates that a total of $1.5 billion has been authorized to institutions for payment of awards to eligible students. It is anticipated that over 1.9 million students will receive awards with an average award of $790.

Table II provides an overview of program growth in terms of total numbers of applicants, recipients, average awards, and expenditures for academic years 1973-74 through 1976-77.

In January of this year, Basic Grant application forms for the 1977-78 academic year were distributed to high school guidance offices, public libraries, financial aid offices at eligible postsecondary institutions, and various other locations. As of April 24, 1977, 1,229,586 applications had already been submitted to the Basic Grants processor in Iowa City and from those applications 745,775 students had been determined to be eligible to receive an award in the 1977-78 academic year. It is estimated that about 1,975,000 students will receive Basic Grant awards averaging $822 during the 1977-78 academic year. As in the 1976-77 academic year, Basic Grant awards in 1977-78 will range from $200 to $1,400.

Significant amendments to the program were made by the 1976 legislation, including the raising of the maximum entitlement to $1,800 beginning with the 1978-79 school year, the inclusion of educational expenses of other dependent children in the family contribution calculation, and authorization for the Commissioner to enter into agreements with from two to five States for processing of BEOG applications beginning in the 1977-78 academic year.

With respect to the State processing, the requirements of the statute meant State processing would have had to begun in January 1977--only three months after the law was enacted.

All parties agreed that this was an extremely tight schedule and that other alternatives might be preferable. In this context the Office of Education proposed that States could act as data collection points for the Basic Grant Program in the 1978-79 academic year, which would allow sufficient planning and development time. This proposal would meet the intent of amendment to the law, which was to reduce the need for students to file more than one form for financial aid. Significant progress has been made on this proposal and the States that originally expressed an interest in processing have indicated that this approach should achieve the goals they were seeking.

TABLE I
Basic Grant Expenditures [illegible] Average Award
By Type of Institution (1975-76)

Type of Institution	Total Expenditures	Total Students	Average Award
Total Public	$609,030,990	853,064	$714
Universities	303,867,790	389,779	780
Other 4 Year	61,166,253	76,792	797
2 Year	240,745,336	380,337	633
1 Year but under 2 year	2,668,679	5,267	507
6 months but under 1 year	582,932	889	656
Total Private Non-Profit	$232,704,448	247,324	$941
Universities	81,300,848	81,438	998
Other 4 Year	123,449,132	130,910	943
2 Year	27,266,227	34,046	801
1 Year but under 2 Year	319,125	435	734
6 months but under 1 year	369,115	495	746
Total Proprietary	$84,502,038	114,383	$736
Universities	75,951	67	1,134
Other 4 Year	3,443,486	4,826	714
2 Year	30,539,615	39,633	770
1 Year but under 2 year	18,200,576	26,682	682
6 months but under 1 year	32,242,410	43,625	739
OTHER	3,348,689	4,512	742
LTERNATE DISBURSEMENT	$6,956,969	8,251	843
TOTAL	$936,543,134	1,222,034	$763

minimum award- $200
maximum award - $1400

TABLE II

Recipients and Awards By Academic Year

	1973-74	1974-75	1975-76	1976-77*
Total Number of Valid Applications	482,331	1,114,084	2,178,696	3,405,633
Number of Qualified Applicants	268,444	681,648	1,455,187	2,255,699
Percentage of Qualified Applicants	55.7%	61.2%	66.8%	66.2%
Number of Recipients	185,249	573,403	1,228,034	1,931,000
Percentage of Qualified Applicants Receiving Awards	69.0%	84.1%	84.4%	85.6%
Average Award	$269	$621	$763	$790
Minimum Award	$50	$50	$200	$200
Maximum Award	$452	$1050	$1400	$1400
Number of Eligible Institutions	5,372	5,801	6,238	6,472
Total Expenditures	$49,873,951	$356,536,667	$936,543,134	$1,526,000,000

* 1976-77 data is based on the latest available program information.

STATE STUDENT INCENTIVE GRANT PROGRAM

I. Legislative History of the State Student Incentive Grant Program

The State Student Incentive Grant Program was created by the Education Amendments of 1972 to encourage States to develop or expand programs of grant aid to help undergraduate students with "substantial financial need" who attend eligible postsecondary institutions. As with other Federal student assistance programs, SSIG contributes to, and provides an incentive for States to contribute to, the longer term goal of equal educational opportunity.

The program became operational with $19 million for initial awards in FY 1974. Because subsequent appropriations ($20 million for FY 1975, $44 million for FY 1976, and $60 million for FY 1977) were in one lump sum for the two separate authorizations for initial student awards and continuations, special procedures were published in the Federal Register to permit State agencies to determine the distribution of their allotments for new and continuation awards according to their own State commitments. Each State has been permitted to determine institutional eligibility for SSIG awards in the past, but the Education Amendments of 1976 required that eligibility be extended to students in all non-profit institutions after June 30, 1977. A technical amendment is now before Congress to extend that date to October 1, 1978.

II. Operation of the State Student Incentive Grant Program

SSIG is a 50-50 cost-sharing (State-Federal) program under which Federal funds are allotted/reallotted to the States based on a formula comparing postsecondary education enrollments within a State with enrollments in all the States. Reallotment is permitted if a State does not use its current allotment. Disbursements are made directly from the Federal government to a designated State agency and from the States to postsecondary institutions on behalf of students. While States are responsible for the selection of grant recipients, selection criteria are subject to review by the Commissioner, and individual student grants are limited to $1,500 per academic year. States are required to administer the funds through a single State agency, with no Federal allowance for administrative costs. To ensure maintenance of effort, State matching for initial student awards must be in excess of the amounts the State spent for grants two fiscal years prior to the year the State initially received aid under the SSIG program.

In the first year of SSIG operation, funds were provided to expand existing scholarship programs in 27 States and to support new programs in 14 States. Another 9 jurisdictions which had started development of scholarship programs in FY 1974 were able to qualify for participation in FY 1975. In FY 1977, the network includes all 50 States, plus D.C., Puerto Rico, and the Virgin and Pacific Islands.

Pertinent program performance data are attached (Table VIII).

TABLE VIII
TITLE IV, PART A, SUBPART 3, STATE STUDENT INCENTIVE GRANT PROGRAM
PERFORMANCE DATA

OUTPUT MEASURES	FISCAL YEAR		
	1974	1975	1976
Number of States Participating	41	48	55
Average State Allotment	$380,000	$400,000	$500,000
Number of Student Awards	76,000	80,000	176,000
Average Amount Per Student Award (Federal Share)	$250	$250	$250
Percent of Recipients by Type of Institution	*	**	***
TOTAL	100.0	100.0	
Public	63.3	59.9	
4-year	(39.8)	(49.0)	
2-year	(23.5)	(10.9)	
PRIVATE	33.6	38.6	
4-year	(32.7)	(37.0)	
2-year	(.9)	(1.6)	
PROPRIETARY	2.3	1.1	
OTHER	.9	.4	
Percent of Funds Awarded by Type of Institution	*	**	***
TOTAL	100.0	100.0	
PUBLIC	48.3	44.4	
4-year	(35.4)	(36.1)	
2-year	(12.9)	(8.3)	
PRIVATE	49.9	53.0	
4-year	(48.3)	(51.5)	
2-year	(1.6)	(1.5)	
PROPRIETARY	1.4	2.3	
OTHER	.4	.3	

OUTPUT MEASURES	FISCAL YEAR		
	1974	1975	1976
Percent distribution of Students Aided, by Family Income Category Total	100.0	100.0	***
$0 - 5,999	(42.7)	(36.1)	
$6,000 - 8,999	(19.5)	(18.8)	
$9,000 - 11,999	(16.7)	(16.4)	
$12,000 - 14,999	(11.[illegible])	(13.8)	
$15,000 - 19,000	([illegible])	(11.8)	
$20,000 and Over	([illegible])	(3.1)	

*Data is based on reports from participating States and Territories which made student awards with SSIG funds during 1974-75 school year.
**Data for 1975-76 school year.
***Data for 1976-77 school year is not yet available.

GUARANTEED STUDENT LOAN PROGRAM

I. Legislative History of the Guaranteed Student Loan Program (GSLP)

The program was an outgrowth of similar programs *established at the State* level and by certain non-profit guarantee programs. From 1957 to 1965, programs were established in 17 States.

The GSLP was initiated in 1965 under the terms of the Higher Education and National Vocational Student Loan Insurance Acts of 1965.

The objectives of GSLP were to:

(1) encourage States and non-profit private institutions and organizations to establish adequate loan insurance programs for students in eligible schools;

(2) provide a Federal program of student loan insurance for students or lenders who do not have reasonable access to a State or private non-profit program of student loan insurance;

(3) pay a portion of the interest on loans to qualified students;

(4) re-insure a portion of loans guaranteed by State and private agencies.

The following substantive legislative changes to the Higher Education Act have taken place since 1965:

(1) In 1966 expanded school eligibility to include foreign schools.

(2) In 1968 raised interest rates from 6% to 7% per annum, created reinsurance authority, established one program to cover higher and vocational loan programs and authorized Federal insurance for interstate lenders.

(3) In 1969 created special allowance for lenders of up to 3% per annum.

(4) In 1972 increased loan maximums, insured interest on new Federally Insured Loans, instituted needs analysis for Federal interest benefits, authorized regulation for school participation, and created the Student Loan Marketing Association.

(5) In 1974 eliminated needs analysis for students with adjusted family income below $15,000 on loan amounts up to $2,000 per year.

(6) In 1976 increased loan maximums, liberalized the repayment terms and interest benefits eligibility, changed special allowance formula, provided new incentives for guarantee agencies, added fraud and abuse provisions, and limited State and school lenders.

Regulations under the legislative changes have been published frequently. In November 1976, a Notice of Proposed Rulemaking was published in the Federal Register which for the first time consolidated previous regulations and clarified and expanded program regulations for the GSLP. A new notice of rulemaking is being prepared to incorporate the legislative amendments of 1976.

A full-scale compliance effort has been mounted within OGSL to discover and resolve those problems of fraud and abuse in the GSLP. This effort began in 1975 and is on-going.

The collections program within OGSL was begun in late 1971 to recover money paid to lenders on behalf of defaulting student borrowers. Through FY 1976, over $27 million have been recovered in the Federal Insured Student Loan Program (FISL) and over $19 million recovered under reinsurance agreements with the guarantee agencies. New legislation now permits the Commissioner of Education to contract with private commercial concerns to assist in the recovery of the defaults in the FISL. Specifications for this contract are prepared and a Request for Proposal (RFP) will be published within the next two months.

II. Operation of the Guaranteed Student Loan Program

The Guaranteed Student Loan Program (GSLP) enables students to borrow directly from qualified lending institutions to pay for their costs of attending eligible postsecondary educational institutions. The loans are made at the discretion of the lenders. Such loans are guaranteed by State or private non-profit agencies or insured by the Federal government.

(A) Terms and Conditions of Loans

A student may apply for a loan if enrolled or accepted for enrollment on at least a half-time basis in an eligible educational institution. Ordinarily, a student may borrow up to $2,500 per academic year as an undergraduate or vocational student. A graduate or professional student may generally borrow up to $5,000 per academic year, although in some States the amount is less. The total amount a student may have outstanding while an undergraduate is $7,500. The aggregate limit for graduate or professional study, including loans made, at the undergraduate level, is $15,000. The Annual Interest Rate on such loans cannot be more than 7%.

Most borrowers are eligible for a Federal interest subsidy whereby the Federal government, rather than the student, pays the interest on the student's outstanding loan during the time the student is in school, during a "grace" period (normally consisting of 9 to 12 months after the student has left school), and during any authorized deferment of repayment period. Deferment is provided when the student returns to full-time study at an eligible educational institution or enrolls in certain graduate fellowship programs approved by the U.S. Commissioner of Education. A deferment period of up to three years is also provided while the borrower is serving in the Armed Forces, Peace Corps or full-time volunteer programs conducted by ACTION (which includes VISTA, University Year for ACTION, ACTION Cooperative Volunteer Programs, and Program for Local Service). In addition, repayment may be deferred during a single period, not to exceed one year, during such time that the borrower is seeking and unable to find full-time employment. The student borrower may take up to ten years to repay the loan. The amount of the payments depends upon the size of debts and the student's ability to pay. In most cases the student must pay at least $360 a year unless circumstances as agreed upon by the lending institution warrant a lesser amount.

The student qualifies automatically for the interest subsidy if his adjusted family income is less than $25,000. If adjusted family income is $25,000 or more and the student wishes to apply for the interest subsidy, he must submit to the lender a recommendation based on an analysis of his need. In most cases this recommendation is prepared by his educational institution. Students are eligible for Federal interest benefits, or, not wishing to disclose necessary financial data required for determining eligibility, may still apply for loans but will have to pay their own interest prior to the beginning of the loan repayment period.

(B) Eligible Student Borrowers

A student is eligible for a guaranteed loan if he has been accepted for enrollment on at least a half-time basis in an eligible school or, if already in attendance, is making satisfactory academic progress and maintaining good standing. The student borrower must be a citizen or national of the United States or be in the United States on other than a temporary basis with intent to become a permanent resident. He must have a high school diploma or its equivalent, be beyond the age of compulsory school attendance, or, in the case of a vocational student, have completed or left elementary or secondary school. Finally, he must: (1) not be in default on either a Guaranteed Student Loan or a National Direct Student Loan; or, (2) owe a refund on a Basic or Supplemental Educational Opportunity Grant at the school he is attending.

(C) Eligible Lenders

Banks, savings and loan associations, credit unions, and similar institutions are eligible to become lenders. Eligible schools (other than correspondence schools) and State agencies may also qualify as lenders.

(D) Eligible Education Institutions

Most colleges, universities, graduate and professional schools and many vocational, technical and correspondence schools are eligible. The school, by meeting certain program eligibility requirements, thereby qualifies its students who otherwise meet student eligibility requirements to borrow under the program. A student should check with the institution he plans to attend to determine whether it is eligible. The Division of Eligibility and Agency Evaluation, U.S. Office of Education, Washington, D.C. 20202, or the agency administering the program in a particular State will also provide this information.

(E) Program Operation

A student borrower normally obtains a loan application from his local lending institution. Applications also may be obtained from schools, State or private non-profit guarantee agencies or regional offices of the Office of Education. After the student fills out his part of the application, the school must complete a portion of this application certifying the student's enrollment, cost of education, academic standing and other financial aid awarded. In instances where the student's adjusted family income is $25,000 or over and he wishes to apply for Federal interest benefits, additional family financial information will be requested in order to aid the school in making its recommendation to the lender. The student then presents the application to a participating eligible lender. If the lender agrees to make the loan, he first obtains the approval of the relevant guarantor, then disburses the loan to the student in one or more payments. If a student defaults on a loan and the lender is unable to collect, either the guarantee agency or the Federal government will pursue the borrower for recovery of the loan amount. If the borrower is declared bankrupt, becomes totally and permanently disabled or dies, the guaranteed loan obligation will be discharged by the Federal government. Table IX shows some pertinent program output measures.

TABLE IX

Guaranteed Student Loan Program (All entries in millions unless otherwise indicated)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976*
Appropriations ($)	NA	11	46	40	75	73	161	209	292	399	580	808
Interest Subsidy Paid ($)			5	20	48	80	130	172	201	218	211	254
Special Allowance Paid ($)						5	17	18	23	82	127	97
Federal Insurance Claims Paid ($)							7	21	33	59	81	127
Federal Default Claims Paid ($)							6	19	29	55	75	116
Number of Loans Insured (# in thousands)		48	330	515	787	922	1,081	1,256	1,088	938	990	1,303
Total Loan Volume (thru 1969) ($)					1,448	840	1,044	1,302	1,199	1,139	1,298	1,838
Average Loan Amount (actual) ($)			733	846	873	911	966	1,036	1,101	1,215	1,312	1,410
Program serves 11,300 lenders and 8,750 schools												

*Includes transition quarter

Mr. FORD. I might say that this is also a new experience for us. The Commissioner gave us his testimony a full day before his appearance so we would have a chance to read through it not be as ill-prepared as we sometimes are. That has not been the practice in most recent times, and we thank you for that.

Would you like to introduce the people with you at this point?

STATEMENT OF ERNEST L. BOYER, U.S. COMMISSIONER OF EDUCATION, U.S. OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY LEONARD H. O. SPEARMAN, ACTING DEPUTY COMMISSIONER, BUREAU OF HIGHER AND CONTINUING EDUCATION; RICHARD J. ROWE, ACTING ASSOCIATE DEPUTY COMMISSIONER, BUREAU OF HIGHER AND CONTINUING EDUCATION; PETER K. U. VOIGT, DIRECTOR, DIVISION OF BASIC AND STATE STUDENT GRANTS, BUREAU OF STUDENT FINANCIAL ASSISTANCE; MARY JANE CALAIS, ACTING ASSOCIATE COMMISSIONER FOR GUARANTEED STUDENT LOANS; DAVID C. BAYER, CHIEF, PLANNING BRANCH, DIVISION OF PROGRAM DEVELOPMENT, OFFICE OF GUARANTEED STUDENT LOANS; LINDA CHAVEZ, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY FOR LEGISLATION, OFFICE OF EDUCATION, HEW; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION, U.S. OFFICE OF EDUCATION; AND WILLIAM DINGELDEIN, DIRECTOR, EDUCATION BUDGET ANALYSIS DIVISION, HEW

Commissioner BOYER. Thank you, Mr. Chairman, and members of the subcommittee:

I am pleased to respond to your invitation and to discuss with you what I think is a crucial dimension of the Federal policy affecting education, providing access for students to colleges, universities, and other institutions.

Before describing where we are, and responding to your questions, I would like to introduce my colleagues who are here.

To my right is Leonard Spearman, who is well known to you, and who carried on exceptionally well in guiding the program in the time of the transition.

To my left is Mary Jane Calais, who recently has joined us and who has given us special assistance in the guaranteed student loan program.

Also to my right are Peter Voigt, who works with the basic grants program, and Richard Rowe, an associate deputy commissioner in the Bureau of Higher and Continuing Education.

There are others immediately behind me to my right and left. Al Alford is well known to you; Dave Bayer; Linda Chavez, who is a special assistant to the Assistant Secretary for Legislation; and Bill Dingeldein, who comes from the Education Budget Analysis Division of the Department.

Everyone has been identified who has joined me here.

Before I comment and discuss grants, defaults, and loans, I should like to make sure we also understand we are discussing students today. It is the intention of these efforts to make higher and continuing education available to young people who, otherwise, might not get it.

It is important, I think, to get that on record first and to make it clearly the focus of our discussion. As a matter of fact, under the current programs, Mr. Chairman, over 2,800,000 sutdents are being benefited by the programs of student assistance that have been authorized by Federal policy. That number is, I think, remarkable.

These students are attending 8,756 separate institutions. In the fiscal year 1977, 2,554,000 grants were made. Over 1,800,000 guaranteed and direct loans were made, and almost 900,000 work assignments came from the work-study program.

As a matter of fact, the growth of the student aid program has been remarkable. When this body received oversight hearings in May of 1974, just 3 years ago, the total budget for student assistance programs administered by the Office was approximately $1,600 billion Now, 3 years later, that figure is in excess of $3 billion.

I think it is clear to everyone there have been problems involved in this growth. There have been fraud and abuse problems. There have been problems of default on both the guaranteed and direct student loan programs.

It is my opinion that we are getting ahead of those problems. I will describe some of the moves we are making to do just that.

As a matter of fact, the management of these programs—making sure the dollars are available to the right students—must be my central objective. I have to tell you quite candidly that the administration of the Bureau of Student Financial Assistance is one of the top priorities in the Office of Education at the present time.

We have made at least three major moves recently to see to it that the management of this program will be effective. First, we have requested and received through the appropriations process new positions to focus exclusively on fraud and abuse. This will improve program management so that the dollars are well recovered.

Second, as you mentioned, the Secretary did announce the formation of a new Bureau which, for the first time, brings together all of the student aid programs under one administration. I believe this will improve our management remarkably. Within the new Bureau, we have assigned the following programs: Basic educational opportunity grants, State student incentive grants, supplemental educational opportunity grants, national direct student loans, guaranteed student loans, and college work-study. The recently formed health professions guaranteed student loan program is also included in the new Bureau. That program differs from the others in part because there is no interest or subsidy allowance paid.

Third, I trust, within a few days, it will be possible to announce new leadership in the Bureau which will make it possible for us to move forward still more aggressively.

In your invitation letter, Mr. Chairman, you indicated your interest not only in examining our own internal coordination but our relationship to other assistance programs under the Health Professis Act, the Social Security Act, and the Veterans Education and Employment Assistance Act.

Each year, the Veterans' Administration awards in excess of $4 billion to students; and social security programs provide in excess of $1 billion to students.

We might get involved in a terminology debate as to whether veterans' and social security benefits are benefits for student aid in a direct sense. I think the best way to describe them is to call them benefits which are triggered by going to a college or a postsecondary institution.

Certainly, these benefits are an important part of student assistance in that context.

I have to say, quite candidly, that our direct relationship at the national level with these programs is limited. On the other hand, at the campus level, where the impact is felt, there is, and must be, considerable coordination.

Student aid officers may take into account the income that is being received by a student under the veterans' or social security programs in order to determine a total needs package. In fact, it would be very much a part of their planning when they are determining the basic grants status of a student. On the other hand, I would certainly agree that further discussions among the principals here at the Federal level should be initiated and carried forward to make sure our policies are fully consistent.

I believe the Federal Interagency Committee on Education—FICE—has begun to discuss this. I am sure that Assistant Secretary Berry, the chairman of FICE, would agree that increased coordination in reporting to you should occur federally as well.

We can talk more about that——

Mr. FORD. If I could interrupt you there, Commissioner Boyer, I would think, within the last year or so, one of the most continual sounds of frustration that I have been hearing is what you have just mentioned, that at the campus level, the institution level and with the students, there is a greater understanding of the similarities and differences in the approach of the Federal Government to a student in these different programs, as they try to put them together, than there is here.

There is great frustration over the fact that the Federal Government seems to talk from different directions. There are what appear, on the surface, and in some cases, to be clearly identifiable conflicts between expressions of policy toward a student coming from one source of funding, and one coming from another source of the funding.

I suppose, as a matter of fact, it is better to say that there is a feeling on the campuses that they are afraid, unless your Department and HEW assumes a greater role of leadership in this, that the other people who are expressing policy opinions and regulation with respect to what a college student should be and what a college program should be, how a student project should be measured, how a student's attendance should be measured, and so on, may contaminate the programs that are administered by the Office of Education and are relatively free of interference in matters that are traditionally decided by the institution or the students themselves.

We think we detect a desire on the part of the people in the community, if we couldn't do anything else, to see that everybody and every agency use the same nomenclature to make things read clearer.

What you have already done anticipates the kinds of things we hope to work with on the hearings. We are very pleased to see it happen. I want to assure you that it is our intention to cooperate with you in any way possible in your efforts and not complicate them or provide any kind of irritant to make it more difficult for you to accomplish.

Commissioner **Boyer**. We would support fully your description of the problem and what seem to be some urgent needs for increased coordination at this level. We have tried to begin within our own Department and feel we now have to talk to others beyond that.

In addition to the administrative efforts we have made to tighten and strengthen the control of those programs and to make them more coherent, we have tried, as you have noted earlier, to simplify the process. The announcements made this week, I believe, will be helpfull to students and institutions.

The announcement made by the Secretary, as you have noted, will eliminate the need for parents and students to fill out a separate BEOG application.

At present, most students applying for campus-based and Federal financial help must fill out two separate forms: One for the college and another for the Office of Education. Under the new plan, the second form will be eliminated. The Office of Education will use the information secured by the college—using either a college scholarship service—CSS, American college testing—ACT—or a State scholarship form—to determine student financial need and to establish his or her eligibility to receive a basic grant. Over 2.5 million families will be freed of a duplication of paperwork.

Under the agreement we have reached with the college scholarship service and American college testing, students will fill out those forms at the college level. We will then take the data we need to determine BEOG eligibility from those forms.

Not all students, of course, will be filling out the first form. They can still come to us directly if they are applying for a BEOG grant.

For about 2.5 million students, this will eliminate the need for a double application; we think this will be very helpful to students and their families.

We have also been discussing a common application date with the institutions. We have selected January 1, because we believe need should be established on actual income rather than on estimated income. Past experience shows that when estimates of income are used to award a grant, the risk of misdirecting those moneys becomes very high.

If the common application date is set at January 1, we then can refer the W-2 forms and the reliability of the grant becomes much more certain. On the other hand, since some colleges have early admissions programs, the college scholarship service and ACT have agreed to provide a form on which an income estimate can be made for those applying for early admission.

We are trying to work for a compromise that helps both the students and institutions.

Finally, just yesterday, we announced that the campus-based programs—college work-study, national direct student loans, and supplemental educational opportunity grants—will be available to the institutions on a much more simplified form. Under the present arrangement, each college has to fill out a complicated form every year, which runs 15 to 20 pages and takes several weeks to complete. Some of these institutions have been in this program 15 or 20 years. It seems unnecessary for those institutions, carrying about the same enrollment level with no change in the mix of students, to go through such an elaborate procedure each year. So, we will ask 70 or 80 percent of the institutions to fill out a short form when their enrollments are at the same level as in previous years. Of course, colleges and institutions participating for the first time in these programs will fill out the more voluminous form, as will those institutions whose circumstances are changing sufficiently to warrant it.

We think this approach, Mr. Chairman, is in the interest of streamlining these programs, both for the students and for the institutions.

I would like to comment on the education amendments of 1976. We are moving to implement the changes that were authorized by Congress. A special regulations task force was established last summer.

Just 2 weeks ago, a series of hearings was held across the country on those regulations. The Office of Education has published regulations on the student consumer provision of the amendments and on the Commissioner's authority to limit, suspend and terminate the eligibility of institutions participating in the student assistance programs. Both of those regulations have moved forward to completion.

In addition, the 1976 amendments created a new program for the training of financial aid administrators. We have held a workshop on the new program. Applications to participate have been mailed out. We hope the awards will be announced by the end of June.

In planning the program to train financial aid officers, we have been working closely with the Coalition for Coordination of Student Financial Aid. The coalition represents all segments and interested parties in the postsecondary community.

We will be eager to answer any further questions you may have on the education amendments and how we have moved to expedite those.

In closing, Mr. Chairman, I not only wish to talk about progress, but I would like to introduce several areas of concern.

First of all, I should call to the subcommittee's attention our continuing concern about something called the independent student. In the more innocent days of the 1960's—at least part of the 1960's were innocent—we assumed that students had parents and the parents were responsible for the students. Accordingly, we assumed that the students were the dependents of the parents.

These assumptions guided the ways in which we designed student aid programs.

In 1973, for example, 13 percent of the students participating in the basic grants program declared themselves independent, emancipated, or no longer subject to parental responsibility. In 1977, that figure has increased to 38 percent. I think it introduces a very significant question which has implications for social policy as well as for program design and administration.

First of all, in determining need, I think, quite frankly, we have to be sure the Federal Government is not encouraging instant emancipation which, in fact, would deny some students money which might be truly needed. The money has to be guarded because it should not be used for the convenience of someone who would be successful under the ambiguous term "independent." The money should be used by someone truly in financial need, which is the purpose of the legislation. We are working intensely on this issue, and we would appreciate counsel and guidance from you.

Another issue which confronts us in planning for the future, Mr. Chairman, is the issue of the middle-income student. I think, quite legitimately, that our efforts have been to make sure the neediest students are helped. Constantly, we are reminded that the middle-income student feels a special pinch, as well. Middle-income students, too, are needy in a very real sense. I think we must be aware of ways for access to be maintained for those who have been defined as middle-income students.

Moves have already been made. The increase of the BEOG ceiling has been geared to be helpful here. The increase in the adjusted family income level to $25,000 under the guaranteed student loan program is progress. The education amendments of 1976, which indicate that one-third of the students in certain special services programs must come from nonlow income families, is also progress.

I close, then, where I began. In my opinion, the programs before us are those which deal with major social issues. They are helping thousands of students. I believe these programs have made a dramatic impact on the Nation.

I want you to know that we are eager to administer these programs as effectively as possible and to help make the changes that will make sure access is protected and students are well-served.

We have a more complete statement that has more data in it. I will file the statement for the record. We are now available to respond to any questions you might have regarding my statement or other matters.

[The document appears at the end of the hearing.]

Mr. Ford. Thank you very much.

Your comments about the independent student are long overdue, coming from that direction across the table, because it has been a matter of great concern to people working with these programs for some time that we do not have answers for the people who ask us to explain the—as you describe it—innocent approach that was taken in drawing stereotypes of potential students.

My own experience with the HEP/CAMP program, designed primarily for migrants, gives an outstanding example of the kind of student who, in fact, is dependent on the family unit for all sorts of support, other than financial.

In fact, most of the students we have encountered that have been recruited into, and participated in, those two programs, while they have the characteristics, from a financial standpoint, of family dependence, of a family unit, are, in fact, sharing responsibility for the support of that family financially, and are not, in any financial sense, truly dependent.

They have to take into account, when they leave the family unit to pursue their education, that they are withdrawing the earnings they were contributing to the family. You move on with that analogy and find the same sort of thing in urban America today, or broken families, to a large extent, more widely distributed through population, as never before.

The person of student age is often found to have the characteristics of the old-fashioned member, where, in fact, he is a necessary and an essential part of the support of the family.

The question of college education is really something similar to what existed many years ago in this country, when people were reluctant to see someone leave the farm to pursue their education. They were needed on the farm. We understood, in reading about that phenomena, why that existed for so many years in this country.

We now have that kind of tradition in urban living. Many people have been concerned that we really haven't found very much imagination in adjusting to that change in the family as an economic unit, so that what would appear sometimes to be a family in substantial or solid position in the community, is really, in fact, an extremely tenuous situation. From the student's point of view, the practice of making them a part of the total earned income of the family on paper was just unrealistic.

We are very happy to see that you are addressing yourself to that. We hope that we will be able to make some progress.

I would like to call now on Mr. Buchanan, of Alabama.

Mr. BUCHANAN. Thank you, Mr. Chairman.

I would like to join the chairman, Commissioner, in welcoming you to our committee. I think everyone has been most impressed with the way you have begun. I commend, not only what you have started, but the thrust of your thinking. I join with the chairman in saying that if there is any way we can be cooperative and of assistance, we certainly want to be.

Commissioner BOYER. Thank you.

Mr. BUCHANAN. You mention the leadership announcement you hope for soon, and an announcement on student financial aid. What about the Bureau of Higher and Continuing Education? I know that Dr. Spearman is Acting Director. I like the way he acts, but is anything forthcoming on that?

Commissioner BOYER. Yes; I am eager to see that position filled promptly as well, Mr. Buchanan. However, because of the scope and complexity of student aid programs, we have given top priority to the financial assistance bureau, Bureau of Student Assistance in the search efforts.

But I also feel confident that within the next few weeks the Bureau of Higher and Continuing Education's leadership will be complete as well, and we will have a full complement of leadership. That, I might say, is an exciting prospect.

Rather than diminish higher and continuing education, the removal of the enormously complicated administrative demands of the Bureau of Student Financial Assistance now frees us to get on with the higher and continuing education agenda, which, I believe, can be an exciting program. I particularly think the developing institution programs, the international education aspects, and certain continuing education programs, could be very interesting. I believe we can provide higher education leadership in the new Bureau while the activities of the student financial assistance bureau will be carried on.

I will also say I like the way Mr. Spearman has worked. He has had to carry two bureaus. He has done it with great grace and efficiency.

Mr. Buchanan. On page 4, you mention that there is some delay in application for financial aid until January 1. And the Secretary said, "We intend to accommodate those universities and colleges who need more flexibility." Can you say a word about what the problems are and how you intend to accommodate them?

Commissioner Boyer. Yes. We have had two interests that have been, in some ways, competing here. Some institutions—certainly not all, possibly not the majority—have preferred to have students apply early, in October or November. These institutions want to make a decision early so their enrollments can be filled and they can come to an agreement which they think is in the interests of the institution and the individual.

Also, these institutions must give students some sense about the amount of financial aid they will get. That means making estimates.

It has been our experience that early estimates are frequently quite speculative.

The Office of Education has felt it needed to have accurate figures on the actual income available when the students were submitting their financial need analyses; that meant that data on income would not be available until after January 1, or certainly, until after the W-2 forms were available.

That is the issue: How to serve the interests of the institution for early admission while still having sufficient accuracy. We have been meeting with the College Scholarship Service and the American College Testing Service, the collectors of the information. We have had a number of meetings with institutions. I called a meeting again for tomorrow, Thursday, and we will have yet another discussion to make sure we find a way to accommodate both the efficiency of the new system and institutional interests of early admission. I believe a compromise is possible here.

I might say, in some of those instances, the student would continue under the duplicate system. I think it would be a mistake to deny the opportunity to improve the system for the majority on the strength of the special interest of those institutions still interested in early admissions. I think we can serve both interests.

Mr. Buchanan. Dr. Boyer, many colleges are still needing additional work-study money this year. I know that at the end of the year, some students turn back such money. You also have a reallocation process. I have been informed that process has already happened for this year. I wonder if there is any way to work together toward meeting the needs of schools that have unmet needs with some of this money?

Mr. Spearman. I think we can find a middle ground here. We have had two abnormal funding years in the college work-study program. As you know the supplemental appropriations bill for fiscal year 1975 contained an additional appropriation of nearly $120 million, to be distributed by June 30, for institutions to use during the 1975–76 academic year. The result of this was that a large number of institutions failed to adequately utilize all of the funds allocated to them for use during that period.

When institutions do not use all of the funds allocated to them, they are penalized when subsequent applications are reviewed. We hope, by working with the Appropriations Committee we can find the proper level of funds for use in the college work-study program so that that figure whether it be the $390 or $420 million, will adequately serve institutional needs.

What was the figure that we had to reallocate?

Mr. Rowe. We reallocated about $44 million during this present year as a consequence of the allocation process that Dr. Spearman has just described. Under this process, institutions were surveyed and asked if they had funds that they would not be able to use. At the same time, institutions were asked if they needed additional funds.

The process of reallocation provides a means for addressing the concern that you have stated.

Mr. Buchanan. What I am asking is, is it true that process is now at an end for this year?

Mr. Rowe. Yes, that is true.

Mr. Buchanan. I wonder how much money you estimate would yet be turned in because you have $370 million approved and $390 million available. There are schools that are, therefore, still running short, even after the end of this process, which I know, has brought a lot of help to a lot of people.

I wonder if there is nothing further that can be done this year?

Mr. Spearman. If we can, we certainly will explore that. There is another problem here that you ought to know about. While an institution may still need additional funds, there is an 80-20 matching issue that is involved. Many State legislatures go into recess at this time and institutions are consequently unable to come up with matching funds late in the fiscal year.

Consequently, it is not just a matter of making additional funds available to the institution. It is a matter of the institution needing the funds and having the matching resources.

Mr. Buchanan. Where those conditions are met, however, would the door still be open?

Mr. Rowe. I think most of the institutions now probably are getting themselves organized for the new year, to commence July 1, for them. I think, essentially, most of their planning and implementation programs for this year are virtually completed.

Many of their students have terminated their work for this academic year and their concentration now is on the year that will commence with the summer sessions and the fall programs.

The tentative funding has been announced to them for the new years, the 1977-78 academic year. They have their State percentages and, I think, most of their work now has turned toward getting their programs implemented for next year.

Mr. Buchanan. I don't want to run this in the ground. I am speaking in general, but when you get to specific cases, "that ain't necessarily true," in all cases. I must say there are still schools that have put out the money that are short on funds that are looking for funds. I was trying to nail down whether this door is open.

Commissioner Boyer. I think Mr. Spearman should meet, and can meet, with the staff. The cycle has moved ahead. They have reported. Mr. Buchanan, I am enthusiastic about the work-study program. Over 900,000 students are involved. It is one of the flexible programs which allows the campuses to use money discreetly to help students in this very specific way.

I feel it is absolutely crucial to a broad-based student aid program.

Mr. **Buchanan.** I have one more question, and then I will yield back to you, Mr. Chairman.

Would you recommend, or do you think we need a change in the law to allow students to carry over from 1 year to the next rather than turn it back, or do you think the process that is working is a better process?

Mr. **Spearman.** In the past several years, since I have been associated with it, I think the procedure has worked rather effectively. I think that the college work-study funding cycle, when you look back, has worked well. For a period of time, if you recall, it was forward funded for only a 6 month period. It was not until the fiscal year 1972 appropriation that the program was forward funded a full year.

If you examine the financial record of the program you will discover there are substantial sums of money in the work-study program. However, the amount we turn back to the Treasury annually is so small that I feel comfortable with continuing to run as is.

Mr. **Buchanan.** You do understand why I ask this.

Mr. **Spearman.** I understand.

Mr. **Buchanan.** We have a hard time getting education money. I hate to see us lose that.

Mr. **Spearman.** We agree with you.

Mr. **Ford.** Mr. Blouin?

Mr. **Blouin.** Thank you, Mr. Chairman.

Commissioner, let me also begin first by commending you on your reorganization efforts within the Office. I think they are long overdue. I think we are going to improve the quality and delivery of programs, and so on. I wish you luck in what you have yet to bite into.

I have a few questions in regard to title III—Strengthening Developing Institutions. As I understand it, in the last few days, somewhere down the line, the decision has been made to cut the three largest consortiums under title III by 10 percent. Do you know whether that is accurate?

Mr. **Spearman.** If the Commissioner will permit me, let me say that I would like to respond by saying there is absolutely every interest on the part of the Office of Education, in continuing the title III programs and maintaining their quantity and quality.

Having been a graduate of a title III institution and having spent 25 years as an instructor, I have a very specific interest in the continuation of these institutions and the role they play in providing access to thousands of students who otherwise would not be accepted or educated in other institutions.

I am meeting with the people in that program this afternoon to review the decision, but the decision was not an arbitrary or capricious one. What we fear is that we may be permitting the whole process of technical assistance to become an end in itself. The agencies which monitor title III have enjoyed greater growth than the programs.

I look at Tactics which now gets almost $2 million for monitoring assistance. I look at the growth in the numbers of institutions we must monitor.

I am not raising a philosophical question about the quality of the technical assistance being given at these schools. But we must find some kind of balance between what institutions themselves are doing within the title III program and the movement to make the evaluation and assessment process, however vital and important it is, the end in itself.

Again, the 10-percent reduction was not arbitrary. The money cut will not fund new projects but will further help institutions already in the program. It recognizes that title III funding is remaining relatively steady at $110 million and the institutions have not enjoyed any reasonable increases in funds to improve their curricular offerings and the administration of the program.

Mr. BLOUIN. Was the cut based on the premise you want a uniform reduction of 10 percent on the consortia?

Mr. SPEARMAN. That is the basis for my question this afternoon with the staff. How did you derive the uniform reduction? Why could it not have been 5 or 3 percent. I will be reporting to you on some preliminary findings.

Mr. BLOUIN. Part of my concern stems from a few points that ought to be made because it appears, at least, that it was an arbitrary cut. The consortium that I am most familiar with, ACCTion, has some members in my State and in my district that have been refused an explanation. Mr. Brown just refused to give them an explanation as to why the cut was made. He said, until it has been officially implemented, they had no right to know.

They were told they would not know about the evaluation nor would they be allowed to see the evaluation. The three-party evaluations that I have seen for ACCTion, the newest of the consortiums, shows a darned good program. However, if, in fact, a decision is made to cut across the board, if that cut is equal and if it has a purpose in terms of shifting priorities within the Department, I have no objection.

One of the things I have noticed, and I want to stress I am not familiar with Tactics or CASC, but I am somewhat with ACCTion, is that their 10-percent cuts across the board did not reflect the numbers of institutions served. Both CASC and ACCTion serviced in the 1976 and 1977 school year, and 1977 and 1978, the same numbers of institutions; whereas, in Tactics, there was a substantial drop in the number of institutions served. Yet the total funding cut was off the front amount of moneys. When you get down to apportioning it by institution, Tactics really received under this an increase, while both of the other consortia resulted in a decrease, reflecting a true 10-percent cut. If it is on the basis of a desire to fairly curtail everybody, then I would like to know why the difference or was it on the basis of a decision to transfer priorities within the Department? Whatever the case, I think the groups involved, as well as the subcommittee, ought to know on what the decision is based.

Again, I want to emphasize, I don't take issue with the legal right of the Office to shift funds within the framework of the regulations that are there, but those decisions should be based on evaluation and certain criteria. I guess that is what puzzles me.

The evaluations I have had access to look mighty good for the newest of the consortiums, that being ACCTion.

Commissioner BOYER. Your statement is most appropriate. I will inquire into this with Mr. Spearman. I would like for him to meet with you, or others, as you indicate, to make sure there is a clear understanding regarding the Department's intentions and actions. After we make the explanation, we will tell you whether it is a guaranteed device or whether it is cul de sac reasoning, which would probably drive me to something other than a mint julep. I don't accept that.

Mr. BLOUIN. Do you mean you haven't got there yet?

Mr. SPEARMAN. He is on his way.

Commissioner BOYER. I will assure you that we will inquire into it and give you an accounting.

Mr. BLOUIN. I would appreciate that. I don't think a 10-percent cut is going to put anybody out of business. Don't misunderstand that either. If they are delivering a quality service, if it is cost efficient, we ought to have some reasons for doing it.

Commissioner BOYER. I couldn't agree more. But I wish to come back to the title III program and reinforce what Leonard Spearman said. To me, this program has been, and is, a crucial and creative part of the work of the Office as it relates to higher education. It is one of those true discretionary programs which allows us to make investments in institutions which very much need encouragement in order to stabilize and strengthen themselves. Certainly, historically, black colleges have performed a remarkable role in providing a bridge for the black students who, normally, would not have found their way to the campuses far away.

I think the distinguished role they have played very much needs the stability and support this entitlement provides. I do raise the interesting footnote on the definition of the term "developing." When does it occur? When does an institution no longer need aid to develop?

Mr. BLOUIN. They have already arrived.

Commissioner BOYER. Yes; there is some discrimination within the program itself between the two categories. But putting that more fundamentally, I come back to the absolute central objective of the program and my determination to protect and strengthen it.

Mr. BLOUIN. Thank you. I appreciate that very much.

I have no more questions, Mr. Chairman.

Mr. FORD. Mr. Erlenborn?

Mr. ERLENBORN. Let me join my colleagues in welcoming you to our committee, Dr. Boyer.

On page 6 of your statement, you make reference to the increase in the BEOG ceiling and observe that it will allow the program to serve more middle-income students. That is true when we raise the grant level, you can serve more students.

If, however, the program is not fully funded, the lower income students who were already served and were receiving maximum grants under the lower limit, may wind up actually receiving less money once the program limit has been increased.

What is the likelihood that you are going to have full funding and, therefore, be able to make maximum grants to those lower income students versus the likelihood that we have less than full funding and some of the lower income students would actually receive less than they would have under the lower ceiling?

Mr. VOIGT. Mr. Erlenborn, we are asking, in our budget request for 1978, for an increase in the maximum award. This budget request provides an increase to a $1,600 maximum award. It should be noted, however, that unless the maximum award is reduced to below the current level of $1,400, no student would get a lesser award than he does now.

Mr. **ERLENBORN.** Let's assume, in fiscal 1978, you go to the $1,800 maximum, but you don't fund it with any greater amount of funding than you had in the prior fiscal year. More students will become eligible and the maximum grants would have to be reduced so you will have some students possibly not getting as much as they would have had you kept the ceiling lower.

Mr. **VOIGT.** In that case, you are right, the maximum award would go below $1,400. But in our budget, we are asking for an increase in that maximum award, so students who have been in the program before will be getting awards at least as large as they received previously. This assumes, of course, that the family's financial situation does not change.

Mr. **ERLENBORN.** You don't anticipate going, in fiscal 1978, to the maximum $1,800 allowed by law?

Mr. **VOIGT.** We don't anticipate that at this point.

Mr. **ERLENBORN.** In talking about the basic grant program and the supplemental grant program. Do you, in the Office of Education, see in the law a clear definition of the difference in the philosophies of those two programs?

Mr. **SPEARMAN.** Mr. Erlenborn, as you are aware, the supplemental education opportunity grant program is really an extension of the earlier educational opportunity grant program, authorized in the 1965 legislation, which was designed to assist those students with the greatest need.

The program grew rather steadily until 1972, when the basic grant program was authorized. The BEOG program was designed for an entirely different purpose, to create an entitlement program designed to provide all qualified students with access to postsecondary education.

I think the answer lies in a simple statistic I would like to share and introduce for the record, which would indicate that, if you look at the programs by income level, there is a clear-cut difference between the students being served. In the basic grant program, very few students are served with family incomes above $15,000. In the SEOG program, 8.8 percent of the students served have family incomes greater than $15,000.

It should be further noted that SEOG has been directed increasingly at reaching students at institutions of high cost, both in the private and in the public sector which accounts in part, for the heavier concentration of students from moderate-middle-income families in this program.

Commissioner **BOYER.** I think the distinctions are not to be drawn by the terminology in the legislation which drives the program. If you read the language, you find considerable overlapping in the description. The distinctions, I think, are established on the method of delivery.

Mr. **ERLENBORN.** Do you believe we need two programs?

Commissioner **BOYER.** In the basic grants program, there is a basic formula which applies equally to everyone. The attraction, and, indeed, the power, of the supplemental educational opportunity grant is that it is a campus-based program and the financial aid officer is allowed a fine-tuning adjustment that deals with the special circumstances and needs of the individual student. The basic grants program is not intended to respond to these special needs of the individual. I think that one of the very important advantages of the supplemental educational opportunity grant is that it has been able to deal with students as individuals. This has helped colleges significantly.

I think we diminish very much our aid to students if we do not have the flexibility provided by SEOG.

So, the difference lies not so much in the terminology of the legislation. One —BEOG—deals with formula and guarantees. The other—SEOG—deals with the ability to help students in a more flexible, campus-based way.

Mr. **Erlenborn**. I suppose, depending on our point of reference, we could view the programs different ways. I think the supplemental grant programs, being campus based, could become a recruitment tool to the institution.

Commissioner **Boyer**. That does touch on the business of institutional choice, to some extent. I am not sure that is wholly bad in terms of the interest here. I think it does allow for the diversity that might encourage institutional competence in the best sense.

Mr. **Erlenborn**. In our subcommittee deliberations that led to the passage of the bill, I think at one point, there was some interest shown—we never did follow up on it—in drafting some clear differences in the law, in the basic philosophy, between the two grants.

I suggested that the basic opportunity grant program could be viewed as one guaranteeing access to higher education; and the supplemental, the choice between the higher education and experience. Once access has been guaranteed. I guess, to some extent, that is the role now being played by the two programs.

Commissioner **Boyer**. That is interesting. I think you are suggesting taking reality and converting it into the terminology that explains the two programs.

Mr. **Erlenborn**. That is usually my purpose.

Commissioner **Boyer**. I am in favor of cleaning up reality.

Mr. **Spearman**. Perhaps as we review modification for the future, it will be necessary to define specifically the target group that each program is designed to reach in order to avoid any clear overlapping.

Some overlapping does exist and I am not prepared to say that that is bad, because as the Commissioner has pointed out, it does allow some choice and flexibility. But, I think, if you look at the fact that the basic grant program is meeting at least half of the cost in the lower income institutions, it seems apparent that SEOG funds in the future are going to be driven more toward the higher cost institutions. Some reorganization of the legislation may be required to acknowledge that role.

Mr. **Erlenborn**. I fear that all too often we continue programs because they are in existence. They do have their constituency. If nobody is particularly mad at them, let them keep going, which leads me to get into the panoply of loan programs.

Do we need all of the many and various loans programs we have in GSLP, the FLP, NDSL, the veterans, or could we do with one loan program or at least fewer in the existing group?

Commissioner BOYER. You mentioned the two principal ones for which we are responsible: the guaranteed student loan program and the national direct student loan program, which was one of the early efforts to assist students in their access to education.

It is very clear that the current policy is to move forward more vigorously with the guaranteed program.

I understand the anxiousness of institutions of higher education when they see the national direct student loan program diminished abruptly. I have been there myself in past years. But I do believe that in our move to create the new Bureau, which exists only on paper at the moment, we are determined to work with you to develop the best rationalization for integrated coherence and simplified student aid design.

I think that is exactly where the higher education community wants to go, as well.

It would be a mistake to assume that every piece we inherited is there forever. There are constituencies, as well as special needs, and nuances that might be disturbed if we move too abruptly toward what looks like cohesion.

I believe we can and must bring as much coherence as possible to the basic grants, the direct loan, and the work study programs, so that our long-term design fits together in a neat way.

I have just described where we are in the student assistance program at the end of "phase one." To me, "phase two" means taking pieces we have inherited, which, I think, have served their purpose, and reshaping them to give them long-term design and cohesion.

I think that is possible. I believe all parties support that, at least in principle. I believe we can carry out a loan program which has simplification and accessibility to those students who need to borrow.

I don't need to recite for you the debate surrounding the administration's decision not to request further funding for the national direct student loan program, direct loan, but it is precisely the desire to bring coherence to student aid which has, I think, driven the administration's approach for the current year.

Mr. ERLENBORN. My experience in three administrations has been the Office of Education would have liked to have gotten rid of the NDSL long ago. I think the support for this program seems to be here in the Congress.

Frankly, as I see it, because it exists and has a constituency, is very little rationale for continuing the NDSL. It was supposed to be a revolving fund program, but with all the loan forgiveness programs we have thought up over the years, it is hardly that.

Commissioner BOYER. It is true, there are about $4 billion out there now under NDSL. Certainly, the assumption has been, and still is, that after a certain point, there can be a revolving fund in which the assets are repaid and then become available for loans again. It is not my position to introduce the caveats that have been made as to why that doesn't seem fully operative at the moment, but that is certainly the underlying assumption of the NDSL program. I think we have to confront the reality of that sooner or later.

Mr. ERLENBORN. How do you feel about the loan forgiveness provisions in NDSL? Do you support them or oppose them?

Commissioner BOYER. I suppose it wouldn't be appropriate to give a blanket answer to that. I think some are well justified.

Mr. Spearman. A good number of the forgiveness features have been eliminated. Only very limited provisions remain for very special teaching service and military service. I believe the provisions that remain are justified. It tends to serve public policy interests to remind students that if they enter these high priority areas, then some portion of their loan obligation may be forgiven.

Mr. Erlenborn. There could be a more direct way of doing it than using a loan for forgiveness.

There are two somewhat technical questions I would like to ask very quickly without imposing too much on the time of the subcommittee.

One has to do with the allocation of the program grants. I understand that you were warned that this question may be raised and you may be prepared to give us an answer.

Commissioner Boyer. I believe it relates to the constraints we face in the 45-day——

Mr. Erlenborn. Congressional review and veto.

Commissioner Boyer. Following the release of the regulation, yes. We are troubled by the fact that this might make those funds available later than they should be. We are extremely eager to find a way to be free of that. We have sought advice from counsel to determine how constraining the law is in that circumstance. I believe there is nothing more I can say here.

We would be delighted to work with staff, as you would advise, to see if we can free ourselves from a limit which will work disadvantageously to the institutions.

Mr. Erlenborn. I think there may be two approaches this committee, and the sister body can make to express—maybe not definitely or finally—but express an intention not to exercise a congressional veto; or it might be possible for the awards to be made conditioned upon the possible change in the regulations in the exercise of the veto.

Commissioner Boyer. It would be in everyone's interest, I think to move swiftly on this. We will be responsive to your staff discussions on it.

Mr. Erlenborn. This other question is quite technical, and I don't think you were warned. Maybe I can just pose the question. If you are not prepared to answer it, you can do so for the record. It has to do with part E of the Higher Education Act of 1972. In the NDSL program, there is a proviso that if a loan has been in default for 2 years or more, and efforts had been made to collect the loan, and it appeared to be uncollectible, the paper of the loan could be assigned to the Treasury, acknowledging a bad debt, and allow it to be written off. Any proceeds that might come from the collection might go to the college. I understand that has never been put to a test. I was wondering when they can dump their bad debt paper.

Mr. Rowe. Regulations have been promulgated that describe a procedure that institutions may follow in order to assign to the Commissioner any note that, in their view, having followed a fairly regular due diligence requirement, is uncollectible, and therefore, it would be acceptable to the Commissioner and would relieve them of any further accountability on that bad debt.

We would expect, in this coming year, to commence the assignment of those notes.

Mr. Erlenborn. I guess the remaining question is, can you tell us why it took so long? It doesn't seem like a terribly difficult thing to implement.

Mr. Rowe. One of the difficulties was in terms of the number of regulations required by changes made in the 1972 amendments. With respect to the assignment of NDSL notes, institutions have been burdened by showing a delinquency rate when, in fact, they had a legitimate default. When it does assign a note to the Commissioner, the institution also assigns its 10-percent share of that loan to the Commissioner.

There has been inconvenience, perhaps, to the institution, but there has been no monetary loss to them. They were assessed somewhat unfairly, as having a higher delinquency rate than they did in fact have.

Mr. Erlenborn. Thank you very much.

Thank you, Mr. Chairman.

Mr. Ford. Thank you.

I would like to go a little further with the Commissioner on one of the points that John raised. I thought I heard you say that policy now is to move toward guaranteed student loans. What we saw in the budget recommendations was not quite a move towards guaranteed student loans as much as it appeared to be a move away from the direct student loan program.

As your language would suggest a more precipitous recall, or reduction, in those funds then institutions thought was consistent with their good health and the interests of the students.

When we attempted to find out the reason for the rather surprising duplication of President Ford's budget that existed in President Carter's budget we were unable to find anyone who would say this was a matter of some policy decision.

It sort of left us with the thought it wasn't an item that had a great deal of discussion at the policymaking level of the administration and, therefore, fell through the cracks.

The Office of Management and Budget was left to its own devices and the same people who had been making this recommendation in the past had no reason to believe it was no longer a valid recommendation. It would be fair, I think, to assume, at this point, that Congress is not going to agree with that sudden withdrawal of NDSL.

If one looks at your own assessment and the information we have about the characteristics of the NDSL program, it is hard to determine where the idea that a policy to move away from it would be generated by anything else we have heard from the administration.

Some 749,000 participants in 1977, 29 percent of them minority students; 63 percent attending public colleges; 37 percent attended private colleges; over half 4 year public and private institutions; a smaller percentage of the NDSL recipients were minority students in the college work-study program; and supplemental opportunity grants were considerably more than in an appraisal of guaranteed student loans.

Then, the family income breakdowns that have been supplied to us by your shop indicate that a large amount of this money is going to families under $9,000 income and independent students.

When one looks at these characteristics, that raises a real question about what kind of an institution, what kind of a student body is making more use of NDSL than the guaranteed student loan program, and why, if, in fact, we withdrew NDSL, student loans would expand by a natural process.

I haven't seen anything to indicate that guaranteed student loans is likely to expand. When you look at it in the past, at the almost continual barrage of writings of people in and out of education, of failure to repay loans and other difficulties—you can find it on the financial page of your paper and educational journals—it continues to paint a picture that is not likely to be encouraging in expanding resources into the business of lending money for students to go to school.

I don't think we really know, at this point—we have these general figures that I am using here, about what happens all over the country. But we don't know very much about what the distinctions are between the two types of schools or even—if I can use Michigan as an example—where we have three very large State institutions with very different student populations on them. One looks at a big-city-based school like Wayne University, and then looks at our other two Michigan institutions, Michigan and Michigan State, you don't have to go to the books of statistics and find out what almost everyone who sort of breathes the air knows about the differences in those schools.

When you ask for figures on those two programs, you see very dramatic differences.

So, I would hope, before we do have the Administration express a policy to retreat from the NDSL program in a massive way, that we first know who is involved, where we would be retreating from, and whether or not we are going to leave them without a substitute.

I think one of the reasons that the committee and people who have responded have been extremely reluctant to make a change is that we feel we are flying by the seat of our pants. We are a very strong institution and we feel it would be a mistake to make that kind of a change.

We are in no better position to justify refusal to make a change because the advocates of change have not presented very persuasive evidence, primarily because they can't answer the same questions that bother us.

There is a kind of tendency that goes beyond the right of authorship, to try to hang onto something when you have it, and a difficulty in seeing that something else in its place is an improvement.

We would hope to know a lot more sometime in the near future. We have asked outside groups to begin studies for us to more particularize the characteristics of these programs. Also we have asked some groups who do not identify specifically with a particular type of institution or with a particular type of student body to look beyond the educational community, itself, into the real world of our economic system, and determine what the future ought to be, after first, of course, trying to tell us more than we now know about what is happening in the real world.

I yield to the gentleman from Alabama.

Mr. Buchanan. I believe, Dr. Boyer, you have in-house information that would raise real questions about what the effect of an abrupt end to this program might be and about the possible effect on traditionally black institutions, minority students, and some other groups. I think we ought to take a hard look at this.

Commissioner Boyer. Yes, Mr. Chairman, I think your statements are extremely well taken and absolutely on target. I wish to make two explanatory comments regarding our earlier exchange. First, the administration changes were based primarily and initially on fiscal restraints. It was precisely in that context that choices were made, and to assume it was driven initially by a policy decision with which we felt comfortable would be in error.

We were faced with the choices which led to, as the Secretary has testified on several occasions, the use of limited moneys within the education division to deal with access under title I. We were then faced with reductions in other parts of the overall program.

I wish to explain that the NDSL decision was made under the urgencies of a quick turnaround on a prior budget. It would be in error to say this was a decision which was comfortably arrived at.

We hope it will be possible for us to improve the current choices in a way which will not seriously jeopardize existing clientele or institutions, but which will leave us with an improved package of loans and grants for those who need them, as well as work-study arrangements for those who would benefit from them.

Certainly, if our policies leave institutions or students seriously disadvantaged, we are taking a backward step. That is not something the administration and I could advocate. But I hear the cautions you have raised.

Mr. FORD. We have discussed this with the Secretary, and have already suggested to him in the strongest terms possible to go through us, not around us, by suggesting if that is going to be the policy direction, that it be pursued by the legislative process rather than the indirect process of a budget.

We think we have sort of headed off these efforts now. There are committee actions taking place that are consistent with the understanding we have, that will save us for another year from having this kind of dislocation take place.

It kind of puts us—some of us, at least—in the unique position, after a period of years, of fighting our own President, so to speak, on what the budget figure should be. It is going to force us into a position to budget in order to maintain the status quo for programs we are not ready, legislatively, to abandon.

We hope that we can work with whoever is going to develop the policy, to do it with the legislative process, because it is within the piece of legislation that is before one of the committees, either here or in the Senate, that people who have a concern and knowledge in the field, are alerted and will come forward to really educate us about what the consequences would be.

My own thinking comes from the fact that even when I look at a figure about the number or percentage of minority participants in a program like this, it is my own hunch, based on a combination of factors, that that population is not in any way uniformly distributed across the educational spectrum, and that there would be a disproportionally large number of low-income and minority students using a particular program on one campus as distinguished from the minority and low-income students on a different kind of campus, not only because there are more on the one campus, but even within that larger group, a larger percentage. That is the only alternative available to them.

Most of the concern that we have heard, the howl that went up after the budget came out, came from people running to look at "what this does to our student body and to our institution. You will see that you can't do it."

On the other hand, when we questioned others, they said, "Well, it really isn't all that important to us. We don't really think it is necessarily essential to continue to provide adequate support."

It is something we think has to be approached with a good deal of caution. I want to hasten to say to you that, while others will identify that as being the position taken because the program has a constituency it wants defended, that is not the only basis for concern.

We were urged to make some dramatic changes at the time the legislation was considered in the last Congress, in 1975 and 1976. We were never really persuaded that anyone could show us what would happen when the change took place. That is the problem of the very conservative nature of the education committees on both the House and Senate side.

Mr. Cornell?

Mr. CORNELL. Really.

To the favorable comments that my colleagues have made on your efforts today, I would like to say, "Me too," which is much briefer, I am sure, than the chairman could express it.

I noticed in your statement, Dr. Boyer, that you gave one sentence to the subject of fraud and abuse. That referred to the fact that you have funds available, I guess, for hiring people to focus on the subject. What specifically do you think can be done?

Commissioner BOYER. It is related to the increased staff and to the constraints we applied to the lender institutions. I think we are making progress on both of those fronts. I would like for Mrs. Mary Jane Calais to comment on that. She is our fraud and abuse expert.

Mrs. CALAIS. I think several efforts have been made in the fraud and abuse area; one, through the additional positions that have been made available in other programs, including basic grants; but also, in the GSLP program. In the guaranteed student loan program, we have developed a compliance staff within the central office.

All positions have not been filled, as yet, but we have individuals assigned to particular areas of serious fraud and abuse. They are working very closely with the new Inspector General's Office, in HEW, and with the Department of Justice, in pursuing both civil and criminal fraud actions.

There are several efforts ongoing. There is one right now in the Dallas area, under which the compliance unit is joining both the Inspector General and the Department of Justice, in pursing serious cases of both fraud and abuse.

I see this type of effort increasing as the full staff comes onboard and as new techniques are being developed to discover these areas of fraud and abuse.

Also, we have additional provisions, through legislation and regulations, from the 1976 amendments, that make it possible to pursue these cases which were not available before.

Mr. CORNELL. There were a couple of like matters. I don't suppose you would put them under fraud and abuse, but one was the subject that was mentioned about the emancipation of students.

There, you seem to just accept this as inevitable, that nothing can be done about it. Can you correct my interpretation of what you said?

Commissioner Boyer. I don't think it is inevitable as a part of the delivery of those programs. I do believe we can impose certain tests to make the crucial distinction that the chairman noted.

We have two conflicting realities. We have the student who declares emancipation to get an easy ride when, in fact, his parents should share in his education costs.

On the other hand, we have those students wo cannot turn to their families because, as Mr. Ford said, they do, in fact, have a wage-earning obligation.

I do believe we can fine-tune this, so some greater distinctions can be made. We are already proceeding with some tests that will allow us to distinguish the truly emancipated from those who are using "independent" status as a device to take advantage of the program and to take those limited dollars away from other more needy students.

That is the part, I think, that should give us genuine concern.

Mr. Spearman. Taking both issues together, because, in addition to what Mary Jane has said about the reduction of fraud and abuse, I think we start from the Commissioner's premise. One, we reorganized and established a Bureau of Student Financial Assistance to unite these programs under common management. This will enable us to develop some kind of uniform systems to track students more effectively and more efficiently—not in a criminal sense, but to develop adequate records, and be able to identify borrowers and grantees.

I think this ability to unite these programs facilitates not only the initial delivery of the student's assistance, it assists in identifying the individuals served.

Two, as you know, the Congress did establish an Inspector General's Office. That Office is beginning to assist the Office of Education in identifying program and institutional deficiencies that need to be addressed. We do have a $1 million effort, involving our Office and the Department of Justice, to collect and assess that data to prosecute the bad actors, and assist in sorting out from the bad actors those institutions that are trying to correctly administer the moneys, and deliver the funds to those students who should receive them.

In addition, in order to monitor program administration, we are substantially increasing the number of program reviews conducted each year as well as increasing the level of technical assistance provided to the institution. A central issue in correcting and preventing fraud and abuse is to somehow separate out those individuals, who through mismanagement, resulting from ignorance, find themselves misbehaving, from individuals who deliberately and knowledgeably engage in a process to deceive and defraud the Federal Government.

Sections 132 and 133 of the Education Amendments of 1976 address the issue of the student consumer. For the first time the Commissioner has the authority to insist that institutions publish materials that identify clearly the refund policies of the institutions, what students are buying in the way of educational products, how to apply for student assistance funds, and the like. The amendments also authorize the Commissioner to establish an effective training mechanism for program administrators. We are now moving, in collaboration with the States to not only couple State efforts with our training efforts for the basic grants program, but to work with States as they seek to encourage a higher degree of professionalism among student aid officers.

Third, since the enactment of the 1972 amendments, the guaranteed student loan program has had the ability to limit, suspend or terminate the bad actors from the program. With the enactment of the Education Amendments of 1976 that authority is now applicable to all title IV programs and the regulations that govern those programs.

As I mentioned before, we are concerned about conducting adequate program reviews to insure proper administration. We have developed, with the regional offices, a plan which increases the number of program reviews to insure that each institution is reviewed at least once every 3 years.

Finally, Peter Voigt, the director of the basic grant program, has held a series of meetings with the public in an effort to redefine the independent student. Let me say the question of "independence" is an extremely difficult issue, Mr. Cornell. As you know, you must sort out several issues. One is the fact that there is a large number of individuals, in urban areas particularly, who are beyond the school age, who are returning to complete education or pursue new educational interests, as opposed to those in the traditional college-age sector, between 18 and 24, who are defining themselves as emancipated or independent.

There are those students who are able to understand the dynamics of the current definition, and say, "Look, if I stay away from my house for a period of 2 consecutive weeks, I don't have to be claimed on the income tax for a year. I am independent." As a result, they receive more student assistance and reduce the responsibility of their parents to pay. This becomes confused with those whose parents cannot pay, or refuse to pay. You get into some very real philosophical questions regarding the emancipated student.

We are trying to address that entire problem in all of its complexity.

Mr. CORNELL. I know, from my own personal experience, that students that are college age resented students who declared themselves independent of their families in order to make them eligible for campus jobs. I think we have to tie all of these things together. When you are talking about fraud and abuse, and independent bankruptcies, that it isn't only a question of the money that is involved here, but public recognition in support of the program is also very, very important.

That is why I think it is important that you address yourselves strongly to these issues.

Commissioner BOYER. It is a great concern. In spite of the litany of the money things we are doing, I don't wish to leave the impression that this problem can be easily solved. To suggest that to you would create a misimpression.

This problem has probably caused me to turn gray: Many people are involved and a great number of institutions are participating in the delivery of student aid.

We are going to work at this with absolute determination. I do not want to suggest that we are now convinced we can manage it overnight in terms of every detail. I am convinced that the moves we are making are right. I am convinced the programs are good. Public confidence is crucial and it must be carefully protected; otherwise the irresponsibility of some parents and students will cause resentment in the vast majority and will make the program less credible than it should be.

I want to let you know how determined we are to do our part and how concerned we are that the public confidence be maintained in these student aid programs which have done so much good for so many.

Mr. CORNELL. Thank you, Dr. Boyer.

Thank you, Mr. Chairman.

Mr. FORD. I am happy to hear it mentioned, in passing, about the family loan because this is another type of emancipation that we reacted too strongly against in the 1960's that is very much a factor of life today. The States have moved to change the responsibilities of young people and the ages we had considered to be a station in the family and subject to family control.

Substantially, I am wondering what we do about the young lady, for example, who decides that she wants to be an engineer. She is a first-generation college student. Obviously, the more acceptable thing for a young lady to become is a school teacher, until she gets a husband. She persists in this crazy pursuit of being an engineer, an actress, or musician, or whatever it is, that does not translate into the economic goals they have had in mind for the child.

I hope we use caution that we don't lock that person out along with the ones who are taking advantage of it.

What you are illustrating to us is part of the dilemma in almost everything we deal with. Now, in our discussions of the cost benefits of dams or irrigation projects or highways, contrary to statistics, we know whether a piece of concrete has the proper ingredients, whether it will perform as it is supposed to. Those spending Federal money to put the concrete in the ground can look at it and tell.

If we try to prove what we had done for someone who participated in the program in some economically translatable terms, we fall into traps economically that led to the decline of the program.

I see the role of the people in front of us here as advocates of the success of these programs and the methodology to make them meet the promises they hold out to guard against the Congress, and the other people in the administration, who tried to put you into too tight a position of justifying all of your actions on the basis of improper collections by x percent, or reducing bankruptcies by y percent, or something of the kind.

I sit on another committee where we get all those figures from the post office and every year, we give them hundreds of millions of dollars because the figures don't work out, and the Congress accepts it and votes for it, and it goes through.

Yet, we now have people saying to us, that maybe we ought to start interfering with the freedom of choice and not allow people to borrow money to pursue an education that is not going to equip them in a reasonable time to pay back the loan. That is starting to come forward. We would hope that you would be in the very forefront of revising that kind of thinking, because it may be more difficult in the legislative process to revise.

We really have to depend on you, as the professionals, to protect the philosophy. We haven't liked the philosophical interpretations that have been made over there.

Mr. Buchanan has a further comment.

Mr. Buchanan. Earlier, I was very glad to hear your good words about work-study. As you know, that is another program that has been funded at a higher level in Congress.

I think our subcommittee in the House this year has recommended $42 million over against the requested $390. I am pleased to hear you feel this is an important area.

In the 1976 amendments, we created a program of grants to States to establish educational informational centers which were to make available to the general public the information concerning what Federal programs were available.

There was no request for funding for this educational informational program, but Mr. Flood's subcommittee, I hear, has put in $5 million.

I would hope that you would also consider, what seems to me could be a very vital service to make that information available to people as to what the opportunities are and you would consider, as you move along, perhaps requesting that money the next time around.

Commissioner Boyer. I understand we are in the process of developing regulations related to that legislation, although we did not initiate a request for those moneys.

Mr. Buchanan. Would that imply, the failure to request funds, that maybe you are not ready, or have you not decided whether you want them?

Commissioner Boyer. I have to speak candidly on that and say I was not sufficiently informed, on the program, Mr. Buchanan, I did not take the initiative in proposing the appropriation, but I certainly will be prepared to discuss it with you and the committee when we come up for new appropriations.

Mr. Buchanan. Thank you.

Thank you, Mr. Chairman.

Mr. Ford. Commissioner, I have before me a volume—I am told it is about as difficult to get your hands on as the latest plans for the invasion of Mars by the CIA—and it is entitled "Justifications of Appropriation Estimates for the Committee on Appropriations, Fiscal Year 1978, Revised, Volume Two, Higher Education Through Salaries and Expenses."

In a quick look at it, it seems to be recommendations to legislate in appropriations bills and to very dramatically change the existing law.

It indicates on its cover that it is printed by the Education Division, U.S. Department of Health, Education, and Welfare.

In our attempts to get hold of this, we were told by people in your Department they did not have access to it. It is not stamped "Secret" or "Top Secret" or anything like that.

The Department of Health, Education, and Welfare told us, very recently, through the Office of Congressional Liaison, that even they did not have access to that after it had been printed and it had been forwarded, presumably, to a congressional committee.

It leaves us with a real question of who talked to whom about the policy decisions that are involved in those specific recommendations of publications coming out of your shop. Your folks are telling us they do not have access to it, and we have to search for other ways to get it.

Did you have difficulty in getting a look at this before it goes on to Dan Flood's subcommittee?

Mr. Dingeldein. I am with the Assistant Secretary's Office for Management and Budget.

The justification that you have is something which the department prepares at the request of the Appropriations Subcommittee. In effect, it is their document. I think it would help to explain, somewhat, the procedure that we normally follow in handling requests for the document.

Normally, we ask people to go to the committee because we are preparing it for them especially. It is not prepared as a public document, in effect. Whether it is possible to work something out so that other committees can get hold of this is something I think we need to discuss with the Appropriations Committee, as well, but that is the reasoning behind it.

Mr. Ford. I appreciate that point of view. I understand that you are not making this kind of policy.

I would like to thank you for being here. It is the first time that we have been able to prevail on the Director of Education and Budget Analysis of HEW to meet with us on these problems. We met with the Secretary and outlined, very early this year, our concern for the development of these things in a way other than legislatively.

You can see that for the purpose of accomplishing what it is that you want to accomplish, by way of policy, that is hardly the way to do it, to be sort of fending us off on the one hand. We don't yet have a legislative approach to the problem, and yet you are developing a document to submit to the Appropriations Committee in which you suggest they legislatively handle the problem. I am not sure why there is this greater confidence that you will persuade that committee, but that is one conclusion we might draw from it.

Whether you give us a copy of whatever you send to the Appropriations Committee is not as important as the issue of sending legislative proposals to us as distinguished from simply numbers and figures to another committee. Yet, after repeated requests, you can't tell us what the legislative initiatives of the department are. This is clearly legislative initiatives by the department.

We are negotiating with that committee in an attempt to get a compromise. If we are not able to do it, we will be authorized to make a point of order on the bill and that would jeopardize an awful lot of higher education money. It would be much easier if we hadn't had to fight and search for the information on which to base a compromise so that, in fact, what has developed, as a result of this, is a feeling on the part of some members of the Appropriations Committee that they have to defend their integrity. They react to what they think is overreaching in the previous legislation, passed by the actions of this committee, and in turn, a reaction by this committee that they are now stepping in our bailiwick and trying to repeal our laws without doing it in the proper fashion.

We are doing everything at the 11th hour, primarily, because of the good relationship that does, in fact, exist between the members of this committee and the members of that committee.

We are doing it on our own, at this point, with no help from the administration.

I wish you could work with us and find a way to avoid having this sort of thing happen in the future, particularly on specific items where the constituents of this committee and the members of this committee have raised such a loud and clear howl about possible policy digression from a very recently enacted law. It hasn't been on the books 6 or 8 months, yet.

Mr. DINGELDEIN. I can't really speak to the policy issue, for example. On direct loans, the budget does not propose legislation to overcome the threshold limitation in the law. That is an issue which, frankly, goes even beyond HEW in terms of final decision on that. Obviously, it is made by the President.

But, in terms of alerting the committee, we have tried to give briefings at the time the President's budget is released. We have given this to the legislative committee, even this year, and tried to highlight before the staff some of the areas in which there were indications in which there was a regulation associated with the budget.

If there is some way we could work this out, we would certainly be very happy to do this.

Mr. FORD. How do you get the direction to prepare a specific legislative proposal to be attached to an appropriations bill instead of a direction to send a piece of legislation up here to be acted on? Who makes that decision?

Mr. DINGELDEIN. In most cases, wherever there is legislation in the budget, there is also legislation submitted to different committees. For example, with regard to direct loans, the Administration did submit legislation to repeal that particular provision of the law.

I think, in every instance, that is the normal procedure.

Mr. FORD. Thank you very much, but just keep in mind that the budget revisions were sent to us on February 22 while the legislation that you refer to was not officially recommended until 6 days ago, on May 19.

Commissioner BOYER. May I conclude by thanking you for the help you gave in enacting the legislation which made the necessary technical amendments to the education amendments of 1976. Really, those moves were very helpful and we appreciate the assistance that was given in the passage of that bill.

Mr. FORD. We appreciate that. That turned into an omnibus technical amendment bill, and it passed remarkably easily after the staff did a marvelous job in working it out.

If the appropriate members of your group would wait a few minutes, they can have a short meeting on the question that was asked a few moments ago.

We invite you to submit anything further for the record that you feel is appropriate. If your testimony here suggests additional questions, we will submit them to you.

Commissioner BOYER. Please do. We will certainly be responsive.

Mr. FORD. The subcommittee is adjourned.

[Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

House of Representatives,
Committee on Education and Labor,
Subcommittee on Postsecondary Education,
Washington, D.C., June 6, 1977.

Hon. Ernest Boyer,
Commissioner, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

Dear Mr. Commissioner: Once again, I would like to thank you for appearing before our Subcommittee on May 25. As you recall, prior to adjourning our hearing, I invited you to submit anything further for the record that you felt would be appropriate and you indicated a willingness to be responsive to any further questions that we might wish to submit to you.

After reviewing the testimony and consulting with members of the higher education community, I have developed nine additional questions to which we would like your response.

1. The Subcommittee has been made aware of serious conflicts between the higher education community and the Veterans Administration. Much of the conflict seems to stem from the fact that the VA laws, regulations, and procedures differ markedly from those of USOE with respect to their relationship to, and sensitivity to the policies of, the nation's colleges and universities. What steps have you taken, and what plans do you have, to identify and resolve these differences with the VA?

For example, are any steps being taken to coordinate policies for USOE student assistance programs with those of the VA-administered program of educational assistance for veterans? Are any steps being taken to coordinate between the two agencies on instructions issued to institutions in connection with the Family Educational Rights and Privacy Act?

2. In the Education Amendments of 1976, Congress wrote explicit report language stating that we did not intend for the Commissioner to regulate exact criteria for institutional refund policies. (see p. 204 of the Conference Report). The proposed regulations on student aid programs published for comment on April 8 have raised concern in at least some parts of the higher education community that USOE is disregarding this specific congressional directive by establishing a mathematical formula for determination of refunds. What exactly is your understanding of the authority vested in the Commissioner to superimpose your judgment on the adequacy of a refund policy duly established and published by an institution?

3. In the Education Amendments of 1976, Congress established a "trigger" requirement that, when student aid reaches a stipulated level, certain categorical authorities supporting programs for non-traditional students and providing loans for reconversion of facilities must be funded up to a stated level. This provision was intended to recognize (in the language of the House report) that "if students are to have a choice to exercise, if that choice is to be truly free, and if the growing needs of the growing host of students who do not fit into the traditional mold are to be met, there must be a strengthened institutional base for the exercise of those choices and the meeting of those needs."

The Administration ignored this "trigger" provision in its budget request for FY 78. We would appreciate your estimate of the order of magnitude of funding which would be adequate to provide the kinds of support intended in the authorizations for programs to meet the needs of nontraditional students, and to meet the needs of institutions for reconversion of facilities to make them more energy-efficient and meet new standards for health and safety, environmental protection, and access for the handicapped.

4. What system have you established or do you plan to establish to monitor the impact and improve the coordination of all student assistance programs administered by all federal agencies? There has been a particular concern, for example, that decisions were made regarding student aid under the Social Security Act without the knowledge or participation of the Education Division. Sim-

ilarly, actions regarding Veterans Education Benefits and other programs tend to be without regard to their impact on the totality of student aid. Do you have any comments on how such actions are coordinated to form a unified federal policy on student aid?

5. The provisions of the Education Amendments of 1976 for provision of information to students and for training of student aid officers have obvious relevance to improving the delivery of student aid. Can you provide the Subcommittee with an explanation for the Administration's decision not to request funds for these authorities?

6. Are there plans to coordinate all actions taken in any of the student aid programs with respect to limiting, terminating, or suspending an institution?

7. Do you have any comments as to what objectives in graduate education should be pursued in the years ahead, and what principles should govern federal policy in support of graduate education?

What, in your opinion, are the needs for innovation and change in graduate and professional programs, and what is the appropriate role of the federal government in helping to foster needed changes?

If funded, are current statutory authorities, such as Title IX (Graduate Programs) of the Higher Education Act, adequate to the task?

8. Many have pointed out the need to enroll greater numbers of highly talented minorities in graduate and professional programs. The FY 78 budget includes about $3 million to begin a minority graduate student program in USOE, and the House Appropriations Committee has recommended an appropriation in that amount.

What principles and criteria will be used in implementing this program?

How will students be selected, and what role will higher education institutions play in the program?

What do you see as necessary for a fully effective program in this area? What barriers stand in the way of an effective effort?

9. Needy graduate and professional students are eligible for financial assistance under the federal College Work-Study and National Direct Student Loan Programs. Because other funds have declined, the need for funds under both of these programs is increasing.

What do you estimate to be the prospective need for College Work-Study and National Direct Student Loan funds among graduate and professional students?

Are these students and their schools sufficiently informed about the availability of these programs? Should USOE, the universities and these schools do more to ensure that eligible graduate and professional students are aware of these programs and to stimulate the creative use of Work-Study funds?

Do you feel that the law and regulations are adequate as presently written to allow Work-Study and Direct Loans to be used to their maximum effectiveness for graduate and professional students?

We would appreciate receiving your response to these questions as soon as possible so it may be included in the hearing record.

With kind regards, I am

Sincerely,

WILLIAM D. FORD, *Chairman.*

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

Honorable William D. Ford
Chairman, Subcommittee on
Postsecondary Education
Committee on Education and Labor
House of Representatives
Washington, D.C.

Dear Mr. Ford:

Thank you for your letter of June 6 in which you submitted follow-up questions to the student assistance oversight hearings of May 25. We would like to respond to each question individually in the order in which they appear in your correspondence.

1. There are, as you note, differences between the laws, regulations, and procedures of the Veterans Administration (VA) and those of the Office of Education (OE). Differences in the law, of course, are outside the realm of our jurisdiction. Such statutory differences are in large part accounted for by the fact that the programs were designed for different purposes. While it is true, for example, that the Veterans education benefits programs and OE's student assistance programs share to an extent a common goal in that they seek to make financial assistance available to assist individuals in pursuing further education, there is little other similarity. The Veterans program is an entitlement program based on military service, while OE's student assistance programs are essentially need-based involving detailed financial need analysis. Regulations and procedures are to a large extent dictated by the law in that they are designed to help implement it. Thus they also reflect the statutory differences in the programs.

We entirely agree that where it is at all possible, within statutory limits, regulations and procedures of different government agencies should be coordinated to eliminate or at least minimize any overlap or conflict. With this end in mind, the Federal Interagency Committee on Education (FICE) was established in October 1964 to facilitate communication between the various agencies and promote such coordination. We fully support the objective of FICE and are cooperating with the Committee in its efforts to promote interagency cooperation.

With respect to the Family Educational Rights and Privacy Act, final regulations were issued by the Department of Health, Education, and Welfare (HEW) on June 17, 1976, to implement the Act's requirements. There were, of course, numerous opportunities for public comment in the development of those regulations. Following the enactment of the Buckley Amendment, some confusion ensued as to VA coverage. The VA viewed itself as exempt from that legislation and still able to obtain any institutional records as it had previously done. Discussions took place between VA, HEW, and the Justice Department to resolve these differences. It was the Justice Department's stated position that the VA could obtain only those records relating to students receiving VA benefits. However, on October 15, 1976, P.L. 94-502 (Section 510) was signed into law which gives the VA Administrator broad authority to obtain non-Veteran as well as Veteran records and, in effect, largely exempts the VA from the requirements imposed by the Buckley Amendment.

2. The term "refund" refers to two quite different concepts. An institutional refund refers to the refund an institution owes to a student when the student does not complete the period of enrollment for which those amounts were paid. A student refund is a refund that a student owes to an institution, of student financial aid funds previously awarded to that student, when the student does not complete the period of enrollment for which those funds were awarded.

We interpret the comments in the Conference report on the Education Amendments of 1976 about "fair and equitable refund policies" to refer to institutional refund policy. The proposed regulations published in the Federal Register on April 8 to which you refer, are concerned with student refunds. There is no attempt to set institutional refunds, as your letter implies. As you know, Section 142 of the 1976 Amendments provides that an institution may not disburse Title IV aid to a student if the student owes a refund on a grant previously received under a Title IV program or is in default on a Title IV loan. The proposed regulations contain a formula for calculating the amount of a student-owed refund on financial aid funds disbursed directly to a student for costs not paid to an institution, when the student withdraws from the institution before the mid-point of the payment period. The formula would generally affect only a portion of a student's financial aid package and only in cases of withdrawal during the first half of a payment period. We therefore believe the formula is quite fair to students, while at the same time providing assurance that Federal funds are used for the costs of education. We did receive a number of thoughtful comments about the formula during the comment period and the regulations are being reviewed in light of those comments. The outcome of this review will be reflected in the final regulations issued on Section 132.

Section 133 of the Amendments established a new Section 497-A of the Higher Education Act, which authorizes the Commissioner to prescribe regulations and standards relating to audits, records, financial responsibility, and administrative capability of institutions participating in Title IV programs, and to provide for the limitation, suspension, or termination of the eligibility of an otherwise eligible institution when the institution fails to carry out a provision of Title IV or Title IV program regulations. These authorities are quite similar to those previously authorized under Section 438 of the Act which pertained only to the Guaranteed Student Loan Program. Section 133 also directs the Commissioner to reissue the regulations heretofore prescribed for carrying out Section 438, for the purpose of making them applicable, to the extent possible, to all Title IV programs. We believe that the establishment of a fair and equitable institutional refund policy is a necessary measure of an institution's capability to administer the Title IV programs. As you know, the regulations issued for the Guaranteed Student Loan Program included the requirement that an institution must have a fair and equitable refund policy and listed several factors that the Commissioner would consider in determining whether an institution's policy is fair and equitable; however, the regulations did not establish a standard policy that must be followed uniformly. We believe that that approach is appropriate and legally supportable under the previous Section 438 and the new Section 497-A, and we will probably observe a similar distinction in issuing regulations pursuant to Section 497-A. Those regulations will, of course, first be published in the *Federal Register* as a Notice of Proposed Rulemaking, and all interested parties will have an opportunity to comment on them at that time.

3. We have no estimates available as to the magnitude of funding required to meet the needs of non-traditional students. Cost would obviously be contingent upon the definition of "needs." With respect to the support required to meet the needs of institutions for reconversion of facilities to make them more energy efficient and meet the new standards for health and safety, environmental protection and access for the handicapped, OE has no figures on total needs in these three areas; however a survey by the National Association of College and University Business Officers (NACUBO) would indicate the following total needs for academic facilities eligible under the facilities authority (Title VII, HEA): Energy--$2 billion; Handicapped--$1 billion; Health/Safety--$1.5 billion, for a grand total of $4.5 billion.

4. Our concern in this area was to some extent addressed in response to Question 1. We will be working closely with FICE to facilitate to the fullest extent possible such interagency coordination. Part of the difficulty again, is that some of the other programs, while they assist individuals in pursuing further education, are not viewed first as being student assistance programs but as another in a list of services provided a very specific clientele, *e.g.*, veterans, social security recipients' dependents, etc. From the perspective of OE's student assistance programs, the efforts of other governmental agencies are taken into consideration, for example, when a student assistance package is put together. A financial aid officer at an institution includes income from these sources in computing student need for other financial assistance. Insofar as need is computed by Federal formula, for example in the Basic Grant program, this funding is part of the computation.

5. We agree that the provisions of the Education Amendments of 1976 relating to student consumer information and the training of financial aid officers can improve the delivery of student financial aid, and we support both of those activities. However, in developing our budget policy for student financial aid, we must consider how much of the scarce student aid dollars should be diverted from direct support of students to fund other activities. With respect to the student consumer information requirements for instance, the cost of funding the authorized administrative payments to institutions of $10 per Basic Grant recipient and $10 per Guaranteed Loan recipient would be approximately $28,000,000 for the 1977-78 academic year. In view of the increasing budgetary demands upon the student financial aid programs, we did not consider a separate appropriation of that magnitude for student consumer information justifiable. Instead, institutions will use their authorized administrative expense withdrawals in the campus-based programs which have been increased to four percent to implement the student consumer information provisions.

Our decision not to request a separate appropriation for the new State Student Financial Assistance Training Program was based upon similar considerations. As you know, there are two authorizations for that program. The first is a distinct authorization of $280,000 for each of Fiscal Years 1977 and 1978, to be divided equally among the States submitting approvable applications. The second authorization provides that .05 percent of the funds otherwise allotted to each State in each of the campus-based programs--not to exceed $10,000 per program per State, may be transferred to the new training program. The funds thus available through the transfer authority from the Fiscal Year 1977 appropriations for the campus-based programs total $448,099, which, combined with the required State matching funds, provides $896,198 to implement that program in 1977-78.

As you know, the Office of Education has consistently requested funds for the administrative activities relating to the Basic Grant program, including funds for the training of financial aid officers. We currently spend about $1,000,000 a year on that activity. This year we are expanding the Basic Grant training activity to include the three campus-based programs, and to emphasize the proper management of these programs. In view of this substantial activity, we consider the funds made available from the transfer authority sufficient to implement the new State Student Financial Assistance Training Program.

6. Yes. Now that the Education Amendments of 1976 have extended the authority to limit, suspend, or terminate an institution to all of the Title IV programs, we are most anxious that such actions taken in any of the programs be carefully coordinated. The creation of the new Bureau of Student Financial Assistance is the first step in this process. The new Bureau unites all of the student assistance programs under common management and will facilitate such coordinated efforts. The organization of the

new Bureau is not yet complete, but we anticipate that the final organizational structure will recognize the need for a unit within the Bureau to coordinate such actions.

7. With respect to Federal support for graduate education, while entitlement may exist now or in the future for undergraduates, we believe that the Federal policy for graduate education should be based on program considerations for national significance rather than simply providing general financial assistance. The need to promote innovation and change in graduate professional programs has been specifically addressed by the Fund for the Improvement of Postsecondary Education, which has funded promising experiments involving a wide variety of reforms and innovations.

In setting priorities for the future, it is our intent to undertake a thorough examination of the needs of graduate education. The new Annual Fellowship Report requirement under Title IX, Part E is a starting point in this process. It is already clear that minorities are grossly underrepresented and our first objective should be to try to recruit and help to admit greater numbers of highly talented minority students, those underrepresented individuals who have been historically by-passed. Our budget request this year reflects that objective.

8. We are in the process of drafting regulations which will clarify the criteria to be used in the new graduate initiative. The proposed regulations will be published in the Federal Register for public comment. We will be happy to provide you with a copy of them as soon as a final draft is available.

9. Since the Office of Education does not require institutions to indicate in their institutional requests for College Work-Study and National Direct Student Loan funds any division by undergraduate/graduate levels, there is no way to estimate prospective demand on the part of graduate students. As the NDSL program has been operational for 19 years and the Work-Study program for 12, all institutions should be familiar with these programs at all levels. Both the statute and the regulations in each program make adequate provision for use by graduate students, e.g., higher annual loan ceilings for graduate students and higher maximum wage rates. Program reports filed by the institutions indicate steady increases in the number of awards going to graduate students, despite the fact that graduate enrollments are declining.

If we can be of any further assistance, please let us know.

Cordially,

Ernest L. Boyer
U.S. Commissioner
of Education

APPENDIX

13.233 MATERNAL AND CHILD HEALTH TRAINING

FEDERAL AGENCY: HEALTH SERVICES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Social Security Act, Title V, Section 511; 42 U.S.C. 711.

OBJECTIVES: To train personnel for health care of and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: These grants may be used to provide support for faculty, traineeships, services, clinical facilities, short term workshops and institutes, and related support items. Unallowable costs are those cited in 45 CFR 74, where applicable to 42 CFR 51a, Subpart D, and any other restrictions cited in the Notice of Grant Award.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: These grants are available to public and other nonprofit institutions of higher learning.

Beneficiary Eligibility: Trainees in the health professions and handicapped children who receive services provided through the training programs.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: On an annual basis. The award will normally be in one lump sum for the entire grant period and payments made periodically through a Letter of Credit or Cash Demand System.

FINANCIAL INFORMATION:

Account Identification: 09-15-0350-0-1-551

Obligations: (Grants) FY 75 $18,575,818; FY 76 est $18,408,000; TQ est $13,800,000; and FY 77 est. $13,100,000

Range and Average of Financial Assistance: $50,000 to $1,000,000; $450,000

REGULATIONS, GUIDELINES, AND LITERATURE: Promoting the Health of Mothers and Children, Fiscal Year 1973, no charge; and Publications of the Maternal and Child Health Program, DHEW Publication No. (HSM) 71-5004, no charge; CFR: Title 42, Chapter 1, Part 51a, Subpart D, no charge. PHS Grants Policy Statement, DHEW Publication No. (OS) 76-50,000 July 1, 1974.

INFORMATION CONTACTS:

Regional or Local Office: None.

Headquarters Office: Associate Bureau Director, BCHS, Health Services Administration, DHEW, 5600 Fishers Land, Rockville, MD 20852. Telephone (301) 443-2340.

PROGRAMS

13.241 MENTAL HEALTH FELLOWSHIPS

(F01, F02, F03)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 301; Public Law 78-410; 42 U.S.C. 241 and 289c.

OBJECTIVES: To provide training for research relating to the problems of mental illness and mental health, and to raise the level of competence and to increase the number of individuals engaged in such research.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Predoctoral, postdoctoral and special fellowships provide a stipend based on the individual's training and experience, dependency allowances where applicable, and other necessary expenses. An allowance is also made to the sponsoring institution to cover tuition and fees, and other costs of research training.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: An applicant for a fellowship is considered to be the candidate. He must be sponsored by an institution with an adequate program and facilities for research training. The individual in all cases must be a citizen or national of the United States or have been lawfully admitted for permanent residence. Individual must qualify by scholastic degree and previous training and/or experience for the level of support sought.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Varies with type of fellowship. Direct payments to postdictoral and special fellows monthly. If award is made to sponsoring institution on behalf of predoctoral fellow payments will be made either on a Monthly Cash Request System or under a Letter of Credit. Necessary instructions for the appropriate type of payment will be issued shortly after an award is made.

FINANCIAL INFORMATION:

Account Identification: 09-20-0363-0-1-650.

Obligations: (Grants) FY 74 $4,425,000; FY 75 $9,560 and FY 76 est $0 (see program accomplishments for explanation).

Range and Average of Financial Assistance: $6,000 to $18,000; average fellowship $7,000.

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR 61.1-61.38. Guidelines included in application kits. "National Institute of Mental Health Support Programs," DHEW Public No. (HSM) 72-9044. Revised 1972.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Director, Division of Manpower and Training Programs, Director, Division of Special Mental Health Programs, National Institute of

PROGRAMS

Mental Health, 5600 Fishers Lane, Rockville, MD 20852. Telephone: (301) 443-4136.

PROGRAMS

13.244 MENTAL HEALTH TRAINING GRANTS

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 303; Public Law 78-410; 42 U.S.C. 241, 242a, and 289c.

OBJECTIVES: To increase the number and improve the quality of people working in the areas of mental health and mental illness by training professionals for clinical service and teaching; and by continuing education for existing mental health manpower. High priority is given to experimental and innovative training projects; training projects which develop new kinds of mental health workers; and projects in the specialized areas of suicide prevention, crime and delinquency, metropolitan problems, and minority groups.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Grant funds may be used: (1) To defray institution costs of the training program (personnel, supplies, equipment, travel, and other necessary expenses); and (2) to provide trainee stipends and other allowances (dependency allowances, tuition, and fees, etc.) for individuals enrolled in the training program. Funds may be used only for expenses directly related to the training program.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Training grants are awarded to public or private nonprofit institutions for training in the mental health disciplines of psychiatry, psychology, social work, psychiatric nursing, and in the social sciences, and other areas relevant to mental health, and in the specialized areas of high priority and need (new careers, crime and delinquency, paraprofessional training, etc.) (See 13.82 to apply for research training support.)

Beneficiary Eligibility: Trainee stipends may be awarded only to citizens or nationals of the United States, or to persons lawfully admitted for permanent residence. Individuals seeking trainee stipend support must apply directly to and be accepted by the training institution.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Varies, but project period is generally limited to five years or less. Grantee may apply for renewal of support on a competing basis. Within project period a continuation application must be submitted on a noncompeting basis for each year of support. Payments will be made either on a monthly Cash Request System or under a Letter of Credit. Necessary instructions for the appropriate type of payment will be issued shortly after an award is made.

FINANCIAL INFORMATION:

Account Identification: 09-30-1361-0-1-550.

PROGRAMS

Obligations: (Grants FY 74 $104,057,000 (includes FY 73 funds); FY 75 $4,941,595 (including non-competing research training) $36,888,000 (non-research training only).

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR, Part 64. Guidelines are included in application kits.

INFORMATION CONTACTS:

Regional or Local Office: None.

Headquarters Office: Director, Division of Manpower and Training Programs (Psychiatry, Behavioral Sciences, Social Work, Nursing, Continuing Education, Experimental Projects). Telephone: (301) 443-4257; Director, Division of Special Mental Health Programs (Suicide Prevention, Minority Groups Crime and Delinquency, Metropolitan Problems). Telephone: (301) 443-3533; Director, Division of Mental Health Service Programs (Service Development). Telephone: (301) 443-3606; Director, Division of Extramural Research Programs (Epidemiology). Telephone: (301) 443-3563; National Institute of Mental Health, 5600 Fishers Lane, Rockville, MD 20852.

PROGRAMS

13.270 ALCOHOL FELLOWSHIPS

(F01, F02, F03)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 301; Public Law 78-410; 42 U.S.C. 241 and 289c.

OBJECTIVES: To provide advanced continuation of training relevant to research, prevention, treatment and rehabilitation relating to the problems alcohol abuse and alcoholism and to raise the level of competence and to increase the number of individuals engaged in such research via predoctoral, postdoctoral, and special levels of support.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Continuation awards for predoctoral, postdoctoral and special fellowships provide a stipend based on the individual's training and experience, dependency allowances where applicable, and other necessary expenses. An allowance is also made to the sponsoring institution to cover tuition and fees, and other costs of research. No new awards are being funded under this program (see 13.272 for Alcohol National Research Service Awards).

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: An applicant for a fellowship is considered to be the candidate. He must be sponsored by an institution with an adequate program and facilities for research training. The individual in all cases must be a citizen or national of the United States or have been lawfully admitted for permanent residence. Individual must qualify by scholastic degree and previous training and/ or experience for the level of support sought.

Beneficiary Eligibility: Same as applicant Eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Varies with type of fellowship. Direct payments to postdoctoral and special fellows monthly. Payments made to predoctoral fellows sponsoring institutions will be made either on a Monthly Cash Request System or under a Letter of Credit. Necessary instructions for the appropriate type of payment will be issued shortly after an award is made.

FINANCIAL INFORMATION:

Account Identification: 09-20-0363-0-1-650.

Obligations: (Grants) FY 74 $10,600; FY 75 est not presently available; and FY 76 est not presently available.

Range and Average of Financial Assistance: $5,100 to $7,700; $6,000.

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR 61.1-61.38; Guidelines included in application kits; "National Institute of Mental Health Support Programs" (DHEW Publication No. (HSM) 72-9044, rev 1972).

PROGRAMS

INFORMATION CONTACTS:

Regional or Local Office: The Headquarters Office (National Institute on Alcohol Abuse and Alcholism) is responsible for the Administration of the Fellowship program.

Headquarters Office: Director, National Institute on Alcohol Abuse and Alcoholism, 5600 Fishers Lane, Rockville, Maryland, 20852. Telephone: (301) 443-3885.

PROGRAMS

13.272 ALCOHOL NATIONAL RESEARCH SERVICE AWARDS

(F22; F32; F32; T22; T32)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title III, Section 472; Public Law 93-348.

OBJECTIVES: To provide support to individuals for predoctoral and postdoctoral research training in specified alcohol abuse-related areas via an individual National Research Service Award; and an Institutional National Research Service Grant provides support to enable non-profit institutions to develop research training opportunities for individuals interested in careers in particular specified alcohol abuse related fields.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Individual Awards are made to individuals seeking predoctoral or postdoctoral support for full-time research training in specified biomedical shortage areas. Fellows may utilize some of their time in academic and clinical duties if such work is closely related to their research training. intern for Individual Research Fellows may be made for up to a maximum of three years and may include a basic stipend ($10,000 for the first year beyond the doctoral degree $3,900 for predoctoral), and an institutional allowance of up to $3,000 to help defray training costs, such as supplies and equipment. The stipend for fellows under institutional grants will be the same; actual tuition and fees will be funded for predoctoral fellows. In addition, institutions may request up to 25 percent of the total award for related costs (salaries, equipment, etc.). Research training support may not be used for interm or other clinical training.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Support is provided for predoctoral and postdoctoral academic and research training only, in health and health-related areas which are specified by the National Institute of Alcohol Abuse and Alcoholism and include research training in the various aspects of prevention, education and treatment. For postdoctoral support, individuals with a professional or scientific degree are eligible (M.D., Ph.D., D.O., D.V.M., Sc.D., D. Eng., or equivalent domestic or foreign degree.) Proposed study must result in research training in specified shortage areas, and may offer opportunity to research health scientists, research clinicians, etc., to broaden their scientific background, or to extend their potential for research in health related-areas. Applicants must be citizens of the United States, or be admitted to the United States for permanent residency; they must also be nominated and sponsored by a public or private nonprofit institution having staff and facilities suitable to the proposed research training. All fellows must meet a payback requirement through approved research oriented work or by repayment of funds based on a formula which gives one-half credit for approved work completed.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Awards in either of the two programs may be made for one, two, or three years.

FINANCIAL INFORMATION:

Account Identification: 09-30-1361-0-1-550.

Obligations: (Grants) FY 74 $844,000; FY 75 est $976,000; and FY 76 est $891,000.

Range and Average of Financial Assistance: Predoctoral stipends: $3,900. Postdoctoral stipends: $10,000 to 14,000; $12,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Guidelines included in application kits.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Director, National Institute on Alcohol Abuse and Alcoholism, 5600 Fishers Lane, Rockville, MD 20852. Telephone: (301) 443-3885.

PROGRAMS

13.276 DRUG ABUSE FELLOWSHIPS

(FO1, FO2, FO3)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 301; Public Law 78-410; 42 U.S.C. 241 and 289c.

OBJECTIVES: To provide continuation of training for research relating to the problems of narcotic addiction and drug abuse and to raise the level of competence and to increase the number of individuals engaged in such research via predoctoral, postdoctoral, and special levels of support.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Continuation awards for Predoctoral, Postdoctoral and Special Fellowships provide a stipend based on the individual's training and experience, dependency allowances where applicable and other necessary expenses. An allowance is also made to the sponsoring institution to cover tuition and fees, and other costs of research training. No new awards are being funded under this program (see 13.278 for Drug Abuse National Research Service Awards).

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: An applicant for a fellowship is considered to be the candidate. He must be sponsored by an institution with an adequate program and facilities for research training. The individual in all cases must be a citizen or national of the United States or have been lawfully admitted for permanent residence. Individual must qualify by scholastic degree and previous training and/or experience for the level of support sought.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Varies with type of fellowship. Direct payments to postdoctoral and special fellows monthly. Award is made to sponsoring institution on behalf of predoctoral fellow and payments will be made either on a Monthly Cash Request System or under a Letter of Credit. Necessary instructions for the appropriate type of payment will be issued shortly after an award is made.

FINANCIAL INFORMATION:

Account Identification: 09-30-1361-0-1-550.

Obligations: (Grants) FY 74 $44,000; FY 75 est not presently available; and FY 76 est not presently available.

Range and Average of Financial Assistance: $5,000 to $35,000; $4,865.

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR 61.1-61.38. Guidelines included in application Kits. "National Institute of Mental Health Support Programs," DHEW Publication No. (HSM) 72-9044-Rev.1972), no charge.

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INFORMATION CONTACTS:

Regional or Local Office: The Headquarters Office (National Institute on Drug Abuse) is responsible for the administration of these programs.

Headquarters Office: National Institute on Drug Abuse, Alcohol, Drug Abuse, and Mental Health Administration, Rockwall Bldg., 11400 Rockville Pike, Rockville, MD 20852. Telephone: (301) 443-6480.

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13.278 DRUG ABUSE NATIONAL RESEARCH SERVICE AWARDS

(F22; F31; F32; T22; T32)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title III, Section 472; Public Law 93-348.

OBJECTIVES: An Individual National Research Service Award provides support to individuals for predoctoral and postdoctoral research training in specified drug related areas; and an Institutional National Research Service Grant provides support to enable nonprofit institutions to develop research training opportunities for individuals interested in careers in particular specified drug abuse related fields.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Individual Awards are made to individuals seeking predoctoral or postdoctoral support for full-time research training in specified biomedical shortage areas. Fellows may utilize some of their time in academic and clinical duties if such work is closely related to their research training. Awards for Individual Research Fellows may be made for up to a maximum of 3 years and may include a basic stipend ($10,000 for the first year beyond the doctoral degree; $3,900 for predoctoral, and an institutional allowance of up to $3,000 to help defray training costs, such as supplies and equipment. The stipend for fellows under Institutional grants will be the same; actual tuition and fees will be funded for fellows. Institutions may request up to 25 percent of the total award for related costs (salaries, equipment, etc.) Research training support may not be used for intern or other clinical training

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: All fellows must meet a payback requirement through approved research oriented work, or by repayment of funds based in a formula which gives one-half credit for approved work completed. Support is provided for predoctoral and postdoctoral academic and research training only, in health and health related areas which are specified by the National Institute on Drug Abuse and include both basic and applied studies in all of the life sciences relevant to drug abuse, as well as research on behavioral, societal factors and the epidemiology of drug use and abuse and special training in experimental design and methodology. (See Preapplication Coordination.) For postdoctoral support, individuals with a professional or scientific degree are eligible (M.D., Ph.D., D.D.S., D.O., D.V.M., Sc.D., D.Eng., or equivalent domestic or foreign degree). Proposed study must result in research training in specified shortage areas, and may offer opportunity to research health scientists, research clinicians, etc. to broaden their scientific background, or to extend their potential for research in health and health-related areas. Applicants must be citizens of the United States, or be admitted to the U.S. for permanent residency; they also must be nominated and sponsored by a public or private nonprofit institution having staff and facilities suitable to the proposed research training.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Awards in either of the two programs may be made for one, two, or three years.

FINANCIAL INFORMATION:

Account Identification: 09-30-1361-0-1-550.

Obligations: (Grants) FY 74 $213,000; and FY 75 est $278,000; and FY 76 est $197,000.

Range and Average of Financial Assistance: Predoctoral stipends: $3,900 average, Postdoctoral stipends: $10,000 average.

REGULATIONS, GUIDELINES, AND LITERATURE: Guidelines included in application kit.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Director, National Institute on Drug Abuse, ADAMHA, Rockwall Building, 11400 Rockville Pike, Rockville, MD 20852. Telephone: (301) 443-6480.

PROGRAMS

13.282 MENTAL HEALTH NATIONAL RESEARCH SERVICE AWARDS

(F22; F31; F32; T22; T32)

FEDERAL AGENCY: ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title III, Sections 472; Public Law 93-348.

OBJECTIVES: An individual National Research Service Award provides support to individuals for predoctoral and postdoctoral research training in specified mental health related areas; and an Institutional National Research Service Grants provides support and enables nonprofit institutions to develop research training opportunities for individuals interested in careers in a particular specified mental health related field.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Individual Awards are made to individuals seeking predoctoral or postdoctoral support for full-time research training in specified biomedical shortage areas. Fellows may utilize some of their time in academic and clinical duties if such work is closely related to their research training. Awards for Individual Research Fellows may be made for up to a maximum of 3 years and may include a basic stipend ($10,000 for the first year beyond the doctoral degree, $3,900 for predoctoral), and an institutional allowance of up to $3,000 to help defray training costs, such as supplies and equipment. The stipend for fellows under Institutional Grants will be the same; actual tuition and fees will be funded for fellows; in addition, institutions may request up to 25 percent of the total award for related costs (salaries, equipment, etc.). Research training support may not be used for intern or other clinical training.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Support is provided for predoctoral and postdoctoral academic and research training only, in health and health-related priority areas which are specified by the National Institute of Mental Health and includes child mental health, depression and suicide; schizophrenia; brain and behavior; psycho active drugs, crime and delinquency; aging; minorities; program evaluation and mental health services management. For postdoctoral support, individuals with a professional or scientific degree are eligible (M.D., Ph.D., D.D.S., oriented D.V.M., Sc.D., D. Eng., or equivalent domestic or foreign degree.) Proposed study must result in research training in specified shortage areas, and may offer opportunity to research health scientists, research clinicians, etc. to broaden their scientific background, or to extend their potential for research in health related-areas. Applicants must be citizens of the United States, or be admitted to the United States for permanent residency; they also must be nominated and sponsored by a public or private nonprofit institution having staff and facilities suitable to the proposed research training. All fellows must meet a payback requirement through approved research oriental work, or by repayment of funds based on a formula which gives one-half credit for approved work completed.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Awards in either of the two programs may be made for one, two, or three years.

FINANCIAL INFORMATION:

Account Identification: 09-30-1361-0-1-550.

Obligations: (Grants) FY 74 $1,790,000; FY 75 $6,206,324 (including Research Manpower Program (RMP) confirmation awards); and FY 76 est $15,134,000.

Range and Average of Financial Assistance: Predoctoral stipends $3,000 plus $600 for each dependent; average predoctoral stipend $4,000. Postdoctoral stipends $10,000 to 14,000; average postdoctoral stipend $12,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Guidelines included in application kits.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: National Institute of Mental Health, Director, Division of Manpower and Training Programs. Telephone: (301) 443-4257. Director, Division of Special Mental Health Programs. Telephone: (301) 443-3533. Director, Division of Mental Health Service Programs. Telephone: (301) 443-3606.

PROGRAMS

13.288 PUBLIC HEALTH/NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM

(Public Health Service Scholarship Program)

FEDERAL AGENCY: HEALTH RESOURCES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.

AUTHORIZATION: Emergency Health Personnel Act Amendments of 1972; Public Law 92-585, which added Section 225 to the Public Health Service Act, 42 U.S.C. 234.

OBJECTIVES: To obtain adequate supplies of trained physicians, dentists, nurses, and other health-related specialists for the National Health Service Corps and other units of the Public Health Service.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Scholarships are used to support students who pursue full-time courses of study in health professions schools. Based on the current needs of the Public Health Service, scholarships are only being offered to students in U.S. schools of medicine and osteopathy. Scholarships may not be awarded to students who are enrolled in programs which require obligated service after graduation, or who are not U.S. citizens. Recipients are required to perform one year of obligated service for each academic year or fraction thereof, minimum of two years obligated service. Deferments of obligated service are available internship/residency programs.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Students enrolled in or accepted for enrollment by accredited health professions schools. Scholarship recipients after graduation serve in the National Health Service Corps, Indian Health Service, or Bureau of Medical Services as determined by the needs of the Public Health Service.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula And Matching Requirements: None.

Length And Time Phasing Of Assistance: No students may receive more than four years of support. Awards are made for each academic year of support.

FINANCIAL INFORMATION:

Account Identification: 09-35-0712-0-1-550.

Obligations: (Grants) FY 74 $3,000,000; FY 75 est $22,500,000; and FY 76 est $22,500,000.

Range And Average Of Financial Assistance: Stipend payment to each awardee is $6,750 for an academic year. Tuition and fees paid directly to health professions schools range from $364, to $4,900 for fiscal year 75. The average award fiscal year 75 approximates $10,000.

REGULATIONS, GUIDELINES, AND LITERATURE: CFR Title 42, Chapter I, Subchapter E, Part 62, Sections 62.1 to 62.9; Information Bulletin for Medical and Osteopathic Students, March, 1975: Facts about the Public Health Service Scholarship Program.

INFORMATION CONTACTS:

Regional Or Local Office: Not applicable.

Headquarters Office: Student Assistance Staff, Bureau of Health Manpower, Health Resources Administration PHS, DHEW, 9000 Rockville Pike, Bethesda, MD 20014. Telephone: (301) 496-6763.

PROGRAMS

13.342 HEALTH PROFESSIONS-STUDENT LOANS (HPSL)

FEDERAL AGENCY: HEALTH RESOURCES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Part C, Title VII, Section 740, as amended.

OBJECTIVES: To increase educational opportunities for students in need of financial assistance to pursue a course of study in specified health professions by providing long-term, low interest loans.

TYPES OF ASSISTANCE: Project Grants (to capitalize a loan fund).

USES AND USE RESTRICTIONS: Funds are allocated to schools by statutory formula for the purpose of capitalizing a student loan fund. Funds on deposit can only be used for loans to eligible students pursuing a full-time course of study; for costs arising from litigation in connection with the collection of any obligation to the fund and interest; and for making transfers to the Health Professions Scholarship Fund. Loans are made to students to cover tuition, fees, books, equipment, and related educational costs reasonably necessary for student's attendance at the school and as determined by the school. Loans made to any student may not exceed $3,500 for any one academic year.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Any accredited public or other nonprofit school of medicine, dentistry, osteopathy, optometry, podiatry, pharmacy, or veterinary medicine which provides a course of study leading respectively to a degree of Doctor of Medicine, Doctor of Dental Surgery or an equivalent degree, Doctor of Osteopathy, Doctor of Optometry or an equivalent degree, Doctor of Podiatry or an equivalent degree, Bachelor of Science in Pharmacy or an equivalent degree, or Doctor of Veterinary Medicine or an equivalent degree, located in a State, the District of Columbia, Puerto Rico, or the Virgin Islands.

Beneficiary Eligibility: Any student enrolled or accepted for enrollment in a school, as above, and pursuing a course of study which constitutes a full-time academic workload, as determined by the school, leading to a degree as specified above; in need of the loan to be able to pursue the course of study; and a permanent resident of the Trust Territory of the Pacific Islands or who is in the United States, Puerto Rico, the Virgin Islands, or Guam for other than temporary purposes and intends to become a permanent resident thereof.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Allotment of funds based on statutory formula which takes into account the ratio each school's enrollment bears to the enrollments of all schools making application for funds. Two methods of capitalizing loan funds are authorized: Federal Capital Contribution and Federal Capital Loan. Currently, funds are available only under the Federal

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Capital Contribution plan. Under the Federal Capital Contribution method, a school must match Federal Capital Contribution with an amount equal to one-ninth the allotment so that at all times the school's deposit in the fund represents at least one-tenth the total amount of funds on deposit. Under the Federal Capital Loan method a school must execute a promissory note for the repayment of principal and interest on the Federal Capital Loan.

Length and Time Phasing of Assistance: The time required by a student to complete the necessary course of study leading to a degree. Authorization provides for students first assisted under the program to continue to be assisted until they have completed their courses of study.

FINANCIAL INFORMATION:

Account Identification: 09-35-0712-0-1-550.

Obligations: (Grants) FY 74 $36,000,000; FY 75 $36,000,000; and FY 76 est $36,000,000.

Range and Average of Financial Assistance: $12,000 to $422,215; $125,874.

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR 57. "Health Professions Student Loan Program," DHEW Publication No. (NIH) 72-276, and "Entering an Agreement to Practice in a Shortage Area" DHEW Publication No. (HRA) 74-11 are available upon request (no charge) from participating schools, or from the address below.

INFORMATION CONTACTS:

Regional or Local Office: Regional Health Administrator in the HEW Regional Offices (see appendix in Catalog of Federal Domestic Assistance for listing).

Headquarters Office: Student Assistance Staff, Office of the Bureau Director, Bureau of Health Manpower, Health Resources Administration, PHS, DHEW, 9000 Rockville Pike, Bethesda, MD 20014. Telephone: (301) 496-4154.

PROGRAMS

13.358 PROFESSIONAL NURSE TRAINEESHIPS

(Nurse Traineeships, Traineeships for Registered Nurses)

FEDERAL AGENCY: HEALTH RESOURCES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title VIII, Section 821, 42 U.S.C. 297, as amended by Section 935 of the Nurse Training Act of 1975, Public Law 94-63; 89 Stat. 362.

OBJECTIVES: To increase the number of registered nurses with preparation for positions as administrators, supervisors, nursing specialists, and teachers in hospitals and related institutions, in public health agencies, and in schools of nursing.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: To provide for long-term, full-time academic study in universities and colleges to prepare nurse leaders as administrators, supervisors, nursing specialists, and teachers.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Schools of nursing in universities and colleges.

Beneficiary Eligibility: Trainees are selected by participating nursing school. A candidate must be a citizen of the United States, graduate of a State-approved school of nursing, and licensed as a professional nurse in a State or Territory of the United States.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Up to 12 months aid for baccalaureate study; up to 24 months for graduate study. School must appoint and make obligations to trainees within 12 month budget period. Grant is awarded to nursing school and funds are generally distributed under Letter-of-Credit.

FINANCIAL INFORMATION:

Account Identification: 09-35-0712-0-1-550.

Obligations: (Grants) FY 74 $9,097,827; FY 75 est $13,016,000; and FY 76 est not presenty available.

Range and Average of Financial Assistance: $6,488 to $603,953; $46,931.

REGULATIONS, GUIDELINES, AND LITERATURE: Program Guidelines for Professional Nurse Traineeship Program; Grants for Long-term Academic Training under Title VIII, Nurse Training, of Public Health Service Act; schools offering Nurse Traineeships for Full-time Academic Study; Fact Sheet, Professional Nurse Traineeship Program; Public Health Service Grants Policy Statement.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Division of Nursing, Bureau of Health Manpower, Health Resources Administration, Public Health Service, Department of Health, Education, and Welfare, 9000 Rockville Pike, Bethesda, MD 20014. Telephone: (301) 496-6735.

PROGRAMS

13.364 NURSING STUDENT LOANS

FEDERAL AGENCY: HEALTH RESOURCES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title VIII, Section 8~~22,~~ 23 as amended. 94-63; 42 U.S.C. 297a.

OBJECTIVES: To assist students in need of financial assistance to pursue a course of study in professional nursing education by providing long-term low-interest loans.

TYPES OF ASSISTANCE: Project Grants (to loan funds).

USES AND USE RESTRICTIONS: Loans have a maximum of $2,500 annnually and are limited to a total of $10,000. Loans to full-and half-time nursing students who are citizens of the United States or who have been admitted to the United States and its territories for permanent residence. The loan provision authority is cancellation of entitlements and Federal repayments under certain specified circumstances. Grants are made to schools of nursing to capitalize loan funds.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: All public and nonprofit private schools of nursing that prepare students for practice as registered nurses, that meet accreditation requirements as defined in the Nurse Training Act of 1971, and that do not discriminate against students because of race, color, origin, or sex, are eligible to apply for funds to be disbursed to qualified nursing students.

Beneficiary Eligibility: Nursing students who are citizens of the United States or who have been admitted to the United States for permanent residence, and who are either full- or half-time nursing students in good standing, or have been accepted for full- or half-time study, are eligible for loans.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Schools participating in loan funds must match the Federal contribution with an amount not less than one-ninth of the Federal allotment.

Length and Time Phasing of Assistance: Loans not exceeding an aggregate total of $10,000 are available to needy nursing students for the length of time required to complete preparation of nursing practice.

FINANCIAL INFORMATION:

Account Identification: 09-35-0712-0-1-550.

Obligations: (Grants) FY 74 $25,792,000; FY 75 est $22,800,000; and FY 76 est $9,000,000.

Range and Average of Financial Assistance: Schools: $875 to $260,368; $19,240.

REGULATIONS, GUIDELINES, AND LITERATURE: 42 CFR 57. "Nursing Scholarships and Student Loans, Information for Schools," DHEW Publication No. (NIH)73-357 "Nursing Student Loan Program, Career Information"; DHEW Publication No. (NIH) 72-80 "Guidelines-Nursing Student Assistance Programs"; "A Guide for Repayment, Deferment, and Cancellation of Nursing Student Loans." "Entering an Agreement to Serve in a Shortage Area"; GPO Publication No. 863-502.

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INFORMATION CONTACTS:

Regional or Local Office: Regional Health Administrator, DHEW Regional Offices. (See appendix in Catalog of Federal Domestic Assistance for list of addresses.)

Headquarters Office: Student Assistance Staff, Office of the Bureau Director, Bureau of Health Manpower, Health Resources Administration, PHS, DHEW, 9000 Rockville Pike, Bethesda, MD 20014. Telephone: (301) 496-4154.

PROGRAMS

13.375 MINORITY BIOMEDICAL SUPPORT (MSBS)

FEDERAL AGENCY: NATIONAL INSTITUTES OF HEALTH, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 301; Public Law 78-410, as amended; 42 U.S.C. 241.

OBJECTIVES: To increase the numbers of ethnic minority faculty, students, and investigators engaged in biomedical research. To broaden the opportunities for participation in biomedical research of ethnic minority faculty, students, and investigators by providing support for biomedical research programs at eligible institutions.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Funds may be used for (1) support of both investigators and students to engage in biomedical research; (2) purchase of research equipment; (3) renovation of research facilities; (4) travel of investigators and students to scientific meetings; (5) consultants.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Four-year colleges, universities, and health professional schools with over 50 percent minority enrollment; (2) Four-year institutions with significant but not necessarily over 50 percent minority enrollment, provided they have a history of encouragement and assistance to minorities; (3) Two-year colleges with 50 percent minority enrollment; and (4) American Indian Tribal Councils.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Normally five years.

FINANCIAL INFORMATION:

Account Identification: 09-25-0848-0-1-552.

Obligations: (Grants) FY 74 $7,048,000; FY 75 $7,264,000; and FY 76 est $7,165,000.

Range and Average of Financial Assistance: $29,716 to $600,452 per year for five years; $102,310.

REGULATIONS, GUIDELINES, AND LITERATURE: "Minority Biomedical Support Program-General Policy and Information Statement" (no charge).

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: General Research Support Branch, Division of Research Resources, National Institutes of Health Bethesda, MD 20014. Telephone: (301)496-6743.

PROGRAMS

13.380 HEALTH MANPOWER EDUCATION INITIATIVE AWARDS

FEDERAL AGENCY: HEALTH RESOURCES ADMINISTRATION, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Section 774 (a) and (b), as amended by the Comprehensive Health Manpower Training Act of 1971; Public Law 92-157.

OBJECTIVES: To improve the distribution, supply, quality, utilization and efficiency of health personnel and the health services delivery system and to recruit into the health professions (1) students likely to practice in areas with shortages of health personnel and (2) students who are financially or otherwise disadvantaged.

TYPES OF ASSISTANCE: Project Grants (and Contracts).

USES AND USE RESTRICTIONS: Encourage the establishment or maintenance of programs to alleviate shortages of health personnel in areas designated by the Secretary or to otherwise improve the distribution of health personnel by area or by specialty group. (2) Provide training programs leading to more efficient utilization of health personnel. (3) Initiate new types of training, retraining, continuing education and advanced training of health personnel, including teachers, administrators, specialists and paraprofessionals. (4) Encourage new or more effective approaches to the organization and delivery of health services through training individuals in the use of the team approach to delivery of health services. (5) Assist State, local, or other regional arrangements among schools and related organization and institutions to carry out the purposes specified above. (6) Identify and recruit individuals into the Health professions whose backgrounds and interests make it reasonable to assume that they will practice in designated shortage areas and to establish and maintain programs to train or retrain health personnel for said shortage areas; (7) Identify individuals who are socioeconomically disadvantaged and encourage and assist them to enroll in health professions schools.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Public or non-profit private health or educational entities.

Beneficiary Eligibility: Section 774 (a) Educational institutions and other public or non-profit private health entities. Section 774 (b) Projects are intended to benefit socioeconomically disadvantaged students, students likely to practice in a shortage area, and recipients of health care by improving the quality, supply and distribution of health care.

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13.407 COLLEGE TEACHER GRADUATE FELLOWSHIPS

(HEA IX-B Fellowship Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, as amended; 20 U.S.C. 1134.

OBJECTIVES: To provide three year fellowship support for graduate students as a means of increasing the supply of well trained college teachers and encouraging the development of doctoral level education on a broad geographic basis.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: The fellowship portion must be paid to the graduate student. The cost-of- education allowance is available to the institution. The institution cannot charge the student tuition or required fees. These charges must be taken out of the cost-of-education allowance.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: (a) Institutional eligibility - only currently approved institutions are eligible; Fellow eligibility - currently former NDEA Title IV fellowship holders who had resigned their fellowships to enter military service. Such veterans are eligible for the unused portion of their original fellowships. Veterans become ineligible if they remain in service longer than four years or fail to apply for re-instate- ment to their fellowships within four months of their discharge from military service.

Beneficiary Eligibility: Must be a qualified dependent over half of whose support was received from the fellow.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Participating institutions are responsible for paying stipends and dependency allowances to the fellows in accordance with administrative procedures established by the Training Section.

Length and Time Phasing of Assistance: Thirty six months of tenure per fellowship. Additional twelve months are possible if eligibility requirements are met. Participating institutions are notified in March each year of the amount of money authorized for the next fellowship year. The National Institutes of Health acts as fiscal agent, and funds are released under a Letter of Credit authority in quarterly installments based on actual program needs.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 74 $5,806,000; FY 75 $4,000,000; FY 76 $1,000,000; T.Q. est. $0 and FY 77 no funds requested.

Range and Average of Financial Assistance: Fiscal year 1975 average, $6,500, range, $3,000 per fellow to institution; $3,000 plus $500 per dependent average, same as in fiscal year 1974.

REGULATIONS, GUIDELINES, AND LITERATURE: Part 145, National Defense Graduate Fellowship Program; National Defense Graduate Fellowships. Graduate Programs 1971-72. OE 72-116, no charge; NDEA Fellow's Handbook, Coordinator's Manual for the National Defense Education Act, Title IV Graduate Fellowship Program, effec- tive September 1, 1971. No charge.

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INFORMATION CONTACTS:

Regional or Local Office: None.

Headquarters Office: Chief, Training Section, Division of training and Facilities, Bureau of Postsecondary Education, Office of Education, Washington, DC 20202. Telephone: (202) 245-2347.

PROGRAMS

13.409 CUBAN EDUCATION-STUDENT LOANS

(Cuban Student Loan Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Migration and Refugee Assistance Act of 1962, Section 2; Public Law 87-510; 22 U.S.C. 2601.

OBJECTIVES: To provide long-term, low-interest-bearing loans to Cuban nationals who are attending eligible institutions and are in need of the funds to pursue their course of study.

TYPES OF ASSISTANCE: Direct Loans.

USES AND USE RESTRICTIONS: Institutions must establish a special Cuban Student Loan Fund for making loans to eligible Cuban students designated as aliens. Amount of loans restricted to $1,000 per academic year and maximum $5,000 for undergraduates. For graduates and professionals the amount is $2,500 and maximum aggregate of $10,000.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Any college or university in the United States, District of Columbia, Puerto Rico, Canal Zone, Guam, American Samoa, Virgin Islands, or the Trust Territory of the Pacific Islands that meets the eligibility criteria for, and is presently participating in, the National Direct Student Loan Program.

Beneficiary Eligibility: Cuban nationals.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Academic period for which application is made.

FINANCIAL INFORMATION:

Account Identification: 09-50-0573-0-1-502.

Obligations: (Loans) FY 74 $1,640,000; FY 75 $717,000; and FY 76 est. $500,000; T.Q. est. $0, FY 77 est. $400,000.

Range and Average of Financial Assistance: Total amount of loans to any student, regardless of nature of enrollment when first loan was received, may not exceed $10,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Instructions for Administration (for use of institutions of higher education) and Summary of the United States Loan Program for Cuban Students (for general public information), no charge; Title II, National Defense Education Act of 1958; Public Law 85-864; Student Loan Activity, as amended; and Regulations, Part 144, National Direct Student Loan Program (where applicable), no charge, and Title IV, Part E of the Higher Education Act of 1965, as added by Section 137(b) of Public Law 92-318.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Chief, Cuban Loan Section, Program Support Branch, Division of Student Support and Special Programs, Bureau of Postsecondary Education, U.S. Office of Education, Washington, DC 20202. Telephone: (202) 245-9727.

PROGRAMS

13.418 SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

(SEOG)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Education Amendments of 1972, Public Law 92-318; 20 U.S.C. 1070b.

OBJECTIVES: To enable students of exceptional financial need to pursue higher education by providing grant assistance for educational expenses.

TYPES OF ASSISTANCE: Direct Payments for Specified Use.

USES AND USE RESTRICTIONS: Must be awarded by public or private nonprofit institutions of higher education. Colleges or universities must offer at least two years of baccalaureate study; technical; business schools, at least one year course study, or a proprietary institution of higher education, at least a six-month course of study. The student must be a national or permanent resident of the U.S., be accepted or enrolled for half-time study, in good standing, and have exceptional financial need. Grants are for undergraduate study, and range from $200 to $1,500 per academic year, with a total limit of $4,000 or $5,000 for four or five years duration of payments.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Institutions of higher education.

Beneficiary Eligibility: Undergraduate students with exceptional financial need.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Funds for first-year grants are allotted among the states according to each State's percentage of the national full-time and full-time equivalent by the number of persons in institutions of higher education. Each institution is allocated an amount for continuing year grants which bears the same ratio to its panel recommended amount as the appropriation for continuing year grants bears to the national total panel recommended amount. SEOG awards are entirely Federal money. However, the institutions must provide each recipient with additional financial aid, from designated sources, in an amount at least equal to the SEOG award.

Length and Time Phasing of Assistance: Funds are awarded for use by participating institutions for one fiscal year at a time. Payment to institutions is made as needed.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 75 $240,300,000; and FY 76 $240,103,000; T.Q. est. $0, FY 77 no funds requested.

Range and Average of Financial Assistance: Institutions: $235 to $4,409,060; $64,708; students: $200 to $1,500 per academic year; IY-$607, CY-$744.

REGULATIONS, GUIDELINES, AND LITERATURE: CFR Title 45, Chapter I, Part 176; Information leaflet, no charge; Notification to Members of Congress, list of grantees, issued annually or as necessary, no charge.

PROGRAMS

INFORMATION CONTACTS:

Regional or Local Office: Institutions should contact the Regional Director, Postsecondary Education, of the appropriate HEW Regional Office (see the appendix for a list of addresses). Students should contact the Director of Student Financial Aid at the institution they wish to attend.

Headquarters Office: Chief, Program Development Branch, Division of Student Support and Special Programs, Bureau of Postsecondary Education, Office of Education, Washington, DC 20202. Telephone: (202) 245-2736.

PROGRAMS

13.434 FOREIGN LANGUAGE AND AREA STUDIES-FELLOWSHIPS

(National Defense Foreign Language Fellowship (NDFL) Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: National Defense Education Act of 1958, Title VI, Section 601(b); Public Law 85-864; 20 U.S.C. 511; 72 Stat. 1593.

OBJECTIVES: To meet the critical needs of American education, Government, for experts in foreign languages, area studies, and world affairs by supporting fellowships for advanced study at higher education institutions.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Graduate fellowships include tuition, basic stipend, dependents' allowance. No travel allowances for a fellow or his dependents may be included. No awards will be made for study during the summer.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Accredited higher education institutions offering comprehensive graduate language and area programs are eligible to apply for award quotas.

Beneficiary Eligibility: Candidates must be U.S. citizens or resident aliens; must subscribe to the loyalty provisions of the National Defense Education Act; must be preparing for employment as specialists in foreign languages and area studies at an institution of higher education, elementary or secondary school, or other public or professional service which would promote throughout the U.S. a wider knowledge and understanding of other countries and cultures. Training in foreign languages and/or related area studies programs must be undertaken at a graduate school which has a quota of NDFL fellowships.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Academic year. Payments are made upon request to institutions at the beginning of each academic term.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 74 $3,734,000; FY 75 $3,475,143; and FY 76 est. $3,900,000; T.Q. est. $0 and FY 77 est. $2,150,000 in U.S. dollars.

Range and Average of Financial Assistance: Academic year, $4,900 (flat rates of assistance).

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 80; See Federal Register: available from Superintendent of Documents, Government Printing Office, Washington DC 20402.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Division of International Education, U.S. Office of Education, Washington, D.C. 20202. Telephone: (202) 245-9808.

13.441 FULBRIGHT-HAYS TRAINING GRANTS-DOCTORAL DISSERTATION RESEARCH ABROAD

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Mutual Educational and Cultural Exchange Act (Fulbright-Hays Act), Section 102(b)(6) and 105 (d); Public Law 87-256; 22 U.S.C. 2451. Agricultural Trade Development and Assistance Act of 1954, Section 104 (b) (2) and (3); Public Law 83-480.

OBJECTIVES: To provide opportunities for advanced graduate students to engage in full time dissertation research abroad in modern foreign language and area studies. The program is designed to develop research knowledge and capability in world areas not widely included in American curriculums.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: During the 1976-77 academic year approximately 140 awards will be available for research in the geographic area of the fellow's academic interest. Dollar funds will be available to enable doctoral candidates to complete field research for their dissertations. Awards will not be available for projects focusing primarily on Western Europe nor in countries where the United States has no diplomatic representation. Financial provisions include basic stipend computed on the cost of living in the country where research is to be conducted; cost of round-trip jet economy air fare for award recipient only; baggage allowance of no more than 50 pounds excess baggage each way; dependents allowance for accompanying dependents based on cost of living in host country; project allowance of up to $500 to purchase expendable materials and supplies; local travel allowance for necessary project-related transportation; cost of health and accident insurance for award recipient only; tuition at a foreign institution when necessary to facilitate the satisfactory completion of the project.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Candidate for a Dissertation Research Fellowship must be a citizen or national or permanent resident of the United States; plan to teach in a U.S. institution of higher education; be enrolled in an eligible U.S. institution and have been admitted to candidacy for a doctoral degree in foreign language and area studies; provide evidence of adequate foreign language skills to carry out effectively the proposed research; present feasible research project. If applicant plans to conduct research in the Bulgaria, Czechoslovakia, Poland, Hungary, Romania, Yugoslavia, and the German Democratic Republic. U.S.S.R., he must have applied to the International Research and Exchanges Board (IREX) 110 E. 59th Street, New York, NY 10022.

Beneficiary Eligibility: Same as applicant eligibility.

PROGRAMS

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Awards are made for at least six but not more than 12 months.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 74 $710,175 in U.S. currency and $116,480 in excess foreign currency; FY 75 $1,228,910 in U.S. currency and $75,491 in excess foreign currency; and FY 76 est $986,000 in U.S. currency and $80,000 in excess foreign currency, T.Q. est. $0 and FY 77 est. $725,000 in U.S. currency and $80,000 in excess foreign currency.

Range and Average of Financial Assistance: $2,660 to $17,395; $8,934.

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 146; Federal Register Available from Superintendent of Documents, Washington, DC 20402.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Division of International Education, Office of Education, U.S. DHEW, ROB-3, 7th and D Streets, S.W., Washington, DC 20202. Telephone: (202) 245-2795.

PROGRAMS

13.451 HANDICAPPED PERSONNEL PREPARATION

(Handicapped Teacher, Physical Education and/or Recreation Training)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Education of the Handicapped Act, Title VI (Part D, Section 631, 623, and 634); Public Law 91-230; as amended by Public Law 93-380, Education Amendments of 1974; 20 U.S.C. 1431, 1432, and 1434.

OBJECTIVES: To improve the quality and increase the supply of teacher, supervisors, administrators, researchers,teachers educators, speech correctionists, and other special personnel such as specialists in physical education and recreation, and paraprofessionals.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Grants may be used for undergraduate, graduate, and summer traineeships, special study institutes, and special projects. Project applications from institutions of higher education or other public and/or private nonprofit agencies are subject to review and recommendation by a panel of consultants, with final approval resting with the Commissioner of Education. State educational agencies are eligible to apply. Funds may be used for student's stipends, dependency allowances, or institutional support. Grants to States educational agencies may include programs for preparation of physical educators and/or recreation personnel if such educators personnel are certified (or certifiable) under applicable State Law. Program development grants may be reimbursed for direct costs. Special study institutes and special projects may be reimbursed for direct cost and indirect cost not to exceed eight percent of direct costs.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Applications for grants may be submitted by institutions of higher education and State educational agencies. Other nonprofit public and private agencies are eligible for participation

Beneficiary Eligibility: Stipends may go to students who are preparing for, or are engaged in work with handicapped children as a teacher, super visor, administrator or researcher, or are engaged or preparing to engage in employment as physical educators or recreation personnel for the handicapped.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: There are no matching requirements.

Length and Time Phasing of Assistance: The award period is for 12 months beginning from June 1 through may 31 of the following year. Payment of funds is made according to

PROGRAMS

FINANCIAL INFORMATION:

Account Identification: 09-40-0282-0-1-601

Obligations: (Grants) FY 75 est and FY $40,375,000; FY 77 est. $40,375,000.

Range and Average of Financial Assistance: College range $3,000 to $500,000; average $63,000; State educational agencies range $50,000 to $200,000; average $102,000; Special Projects range $5,000 to $250,000; average $107,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Regulations published in the Federal Register February 20, 1975, Vol. 40, No. 35, pp. 7419-7422.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Director, Division of Personnel Preparation, Office of Education, Bureau of Education for the Handicapped, Department of Health, Education, and Welfare, Washington, DC 20202. Telephone: (202) 245-9886.

PROGRAMS

13.460 HIGHER EDUCATION ACT INSURED LOANS

(Guaranteed Student Loan Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, Title IV-B,Public Law 89-329; 20 U.S.C. 1071; as amended, Emergency Insured Student Loan Act of 1969; Public Law 91-95; 20 U.S.C. 1078(a).

OBJECTIVES: To authorize low-interest deferred loans for educational expenses available from eligible lenders such as banks, credit unions, savings and loan associations, pension funds, insurance companies and eligible institutions to vocational, undergraduate and graduate students enrolled at eligible institutions. The loan are insured by a State or private non-profit agency or the Federal government.

TYPES OF ASSISTANCE: Guaranteed/Insured Loans.

USES AND USE RESTRICTIONS: To help defray costs of education at an eligible institution only. Repayments beginning to 12 months after students ceases to carry at least one-half of normal full-time academic workload. Deferment of payment may be granted during an period in which the borrower is attending an eligible institutions on at least full-time basis, or up to 3 years while serving in the U.S. Armed Forces, Peace Corps, or VISTA.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Will vary from State to State. Generally, any U.S. citizen, national, or person in the United States for other than a temporary purpose, who is enrolled or accepted for enrollment on at least a half-time basis at an eligible post secondary school may apply. Only U.S. Nationals may attend eligible foreign Postsecondary Schools.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Student may apply for a loan for any year of school. Repayment to be made over 5 to 10 years beginning 9 to 12 months after student leaves school. Entire period from date of original loan not to exceed 15 years (excluding periods of authorized deferments). Under the act, authorization expires June 30, 1976; authorization for loans to previous borrowers to complete education expires June 30, 1979.

FINANCIAL INFORMATION

Account Identification: 09-40-0293-0-1-502; Above includes all but Student Loan Insurance Fund, which is 09-40-4308-0-3-502.

Obligations: (Loans) FY 75 $1,022,000,000; FY 76 est. $1.147,000. 000; and FY 77 est. $1,276,000,000.

Range and Average of Financial Assistance: The maximum may not exceed $2,500 per academic year. Total loans outstanding may not exceed $7,500 for undergraduate or vocational students and $10,000 for graduate students.

PROGRAMS

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 177, 178. Federally Insured Student Loans (Brochure).

INFORMATION CONTACTS:

Regional or Local Office: HEW Regional Offices listed in the appendix. Each State with an operating State agency maintains an office in its respective State. A list of guarantee agency addresses is available from the address below.

Headquarters Office: Associate Commissioner, Office of Guaranteed Student Loans, Office of Education, Washington, DC 20202. Telephone: (202) 245-3390

PROGRAMS

13.462 HIGHER EDUCATION PERSONNEL FELLOWSHIPS

(EPDA, Part E Fellowship Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, as amended, Title V, Part E; formerly the Education Professions Development Act; Part E, Section 541; Public Law 90-35; 20 U.S.C. 461-465.

OBJECTIVES: To provide one - and two - year fellowships for graduate level study as a means of increasing the supply of well-prepared teachers, administrators, and educational specialists in areas of critical need for junior community colleges and four-year colleges and universities.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Fellowships are used to support students in approved programs of graduate level study leading to careers in higher education. Approved fellowship programs must be full-time in nature. Fellowships may not be awarded to students in programs which are eligible for support under Title IX-B of the Higher Education Act (doctoral level study for college and university teachers). Fellows must intend to pursue a career in higher education in the United States, its Territories and Possessions, or Puerto Rico. In addition, a Fellow must be a citizen or national of the U.S., or have such status to indicate that he is in the country on other than a temporary basis.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Institutions of higher education.

Beneficiary Eligibility: Graduate students who intend to pursue careers in higher education.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Fellowship support is provided for one or two years depending on the length of training program. Participating institutions are notified in March of each year of the amount of money authorized for the next fellowship year. The National Institutes of Health acts as fiscal agent and funds are released under a Letter of credit authority in quarterly installments based on actual program needs.

FINANCIAL INFORMATION:

Account Identification: 09-40-0292-0-1-503.

Obligations: (Grants) FY 74 $2,100,000; FY 75 est $530,000; and FY 76 No funds requested.

Range and Average of Financial Assistance: For fiscal year 1975, $3,000 will be paid to student for each fellowship year. Fellows are entitled to $500 during the fellowship year for each eligible dependent. The institution receives $3,000 a year for each Fellow to pay for his tuition and required non-refundable fees.

PROGRAMS

Average for fiscal year 1973, $6,508; fiscal year 1974 est $6,600; fiscal year 1975 est $6,600.

REGULATIONS, GUIDELINES, AND LITERATURE: Instructions and Application Forms for submitting Fellowship, Institute, and Short-Term Training Proposals for Support Under Part E of the Education Professions Development Act, Public Law 90-35; no charge; Higher Education Personnel Training Programs 1975-76; no charge.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Bureau of Postsecondary Education, Division of Training and Facilities, Chief, Training Section, U.S. Office of Education, Department Health, Education, and Welfare, Washington, DC 20202. Telephone: (202) 245-9487.

PROGRAMS

13.463 HIGHER EDUCATION WORK-STUDY

(College Work-Study Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965; Title IV, Part C, Public Law 89-329; 42 U.S.C. 2751-27562a; Public Law 92-318.

OBJECTIVES: To promote the part-time employment of students, particularly those with great financial need, who require assistance to pursue courses of study at institutions of higher education.

TYPES OF ASSISTANCE: Direct Payments for Specified Use.

USES AND USE RESTRICTIONS: To pay 80 percent of the earnings of eligible students in eligible jobs, which may be either for the institution itself (except in the case of proprietary institutions) or in work in the public interest for any public or private nonprofit organization under an arrangement with the institution, and to pay to the institution an amount up to 3 percent of the earnings of students under the program in lieu of reimbursement for administrative expenses. Students may work up to 40 hours per week. For other use restrictions, see the College Work-Study Program Regulations, Title 45 of CFR, Part 175.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Accredited (and certain other) institutions of higher education, including junior colleges and institutions which provide to high school graduates at least a 6-month course of training leading to gainful employment in a recognized occupation. Area vocational schools also may participate, but, of their students, only those who are high school graduates are eligible. Proprietary institutions of higher education also may be found eligible.

Beneficiary Eligibility: Undergraduate, graduate, or professional students enrolled (or accepted for enrollment on at least a half-time basis, whose resources, including parental contributions, are determined (by the grantee institution in which they are enrolled in good standing or which has accepted them for enrollment as at least half-time students) to be inadequate to enable them to study at the institution. Nonstudents, students not in good standing, students enrolled on less than half-time basis, or students not enrolled in grantee institutions are not eligible.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: The Federal share of the compensation paid to students normally does not exceed 80 percent. The remaining share must be paid from any nongrant source.

Length and Time Phasing of Assistance: The assistance period is one year, renewable annually.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 75 $420,000,000; and FY 76 est $509,800, 000, T.Q. est. $0, FY 77 est $250,000,000.

PROGRAMS

Range and Average of Financial Assistance: $464 to $5,206,330; $85,669.

REGULATIONS, GUIDELINES, AND LITERATURE: CFR Title 45, Chapter I, Part 175; Notification to Members of Congress, list of grantees, issued annually or as necessary, no charge; Information leaflet, no charge.

INFORMATION CONTACTS:

Regional or Local Office: Students should contact the educational institution they plan to attend upon completing high school. Public and private nonprofit organizations should contact grantee educational institutions in their own State or multi-State areas. Educational institutions should contact Office of Education staff in regional offices (See list in appendix).

Headquarters Office: Chief, Program Development Branch, Division of Student Support and Special Programs, Bureau of Postsecondary Education, Office of Education, 400 Maryland Avenue, S.W., Washington, DC 20202. Telephone: (202) 245-2736.

PROGRAMS

13.468 LIBRARY TRAINING GRANTS

(Library Institute and Fellowship Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, Title II-B, Public Law 89-329 as amended.

OBJECTIVES: To assist institutions of higher education and library organizations and agencies in training persons in the principles and practices of librarianship and information science, thereby increasing their educational opportunities.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Funds are awarded to assist in covering the cost of courses in training or study (short term or regular session institutes) for establishing and maintaining fellowships or traineeships with stipend, for establishing, developing or expanding programs of Library and Information Science. Not less than 50 percent of the appropriations must be for the support of fellowships and traineeships.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Institutions of higher education and other non-profit library organizations or agencies which have an established program of library education or are planning to begin such a program, or which conduct a training program consistent with the purposes of the act.

Beneficiary Eligibility: Persons who have been engaged in or who are presently engaged in librarianship or who are concerned with the study or teaching of library or information science or who have majored in library science at the undergraduate level or who have a graduate degree in library science, or persons who are preparing to engage in a profession or other occupation involving librarianship, including library paraprofessionals.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: None.

Length and Time Phasing of Assistance: Training is one year in length. Total estimated cost is paid to grantee at time of award through NIH Grants Management Fund. Adjustments are made based on actual expenditures as indicated on Final Fiscal Report.

FINANCIAL INFORMATION:

Account Identification: 09-40-0212-0-1-503.

Obligations: (Grants) FY 74 $2,845,394; FY 75 $2,000,000; FY 76 $500,000; and FY 77 -0-.

Range and Average of Financial Assistance: Institute: $6,300 to $195,000; $67,000. Fellowship: $14,000 to $162,000; $42,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Fellowships: Application (Form 3095) and Policies and Procedures Manual; Institutes: Policies and Procedures Manual, "Librarian Training Program, Rules and Regulations."

INFORMATION CONTACTS:

Regional or Local Office: Institutions may contact appropriate DHEW regional office (listed in the appendix) for information concerning this program.

PROGRAMS

Headquarters Office: Office of Libraries and Learning Resources, Bureau of School Systems, Office of Education, 400 Maryland Avenue, S.W., Washington, DC 20202. Telephone: (202) 245-9801.

PROGRAMS

13.471 NATIONAL DIRECT STUDENT LOANS

(Direct Student Loans)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, Public Law 89-329, Title IV, Part E; 20 U.S.C.1087aa-1087ff.

OBJECTIVES: To establish loan funds at eligible higher education institutions to permit needy undergraduate and graduate students to complete their education.

TYPES OF ASSISTANCE: Direct Payments for Specified Use.

USES AND USE RESTRICTIONS: Institutions may use funds to make loans to needy, eligible students for meeting educational expenses.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Higher education institutions (public, other non-profit, and proprietary) meeting eligibility requirements (accreditation, post-secondary, etc.).

Beneficiary Eligibility: Students who need the assistance, can maintain good standing, are enrolled or accepted for enrollment, and are at least half-time students.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Formula-State allotment is based on the ratio of full-time enrollment in a State to full-time enrollment nationally. Institution must supply $1 for each $9 Federal.

Length and Time Phasing of Assistance: Assistance for fiscal year following application.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 75 $321,000,000; and FY 76 $321,000,000; T.Q. est. $0, FY 77 no funds requested.

Range and Average of Financial Assistance: Institutional, $137 to $3,232,892; student, $100 to $2,500; institutional average, $102,143; average loan to student, $690.

REGULATIONS, GUIDELINES, AND LITERATURE: CFR: Title 45, Chapter 1, Part 144; Information leaflet, no charge; Notification to Members of Congress, list of grantees published annually or as required, no charge.

INFORMATION CONTACTS:

Regional or Local Office: Director of Postsecondary Education, HEW regional offices (see appendix in Catalog of Federal Domestic Assistance for listing).

Headquarters Office: Chief, Program Development Branch, Division of Student Support and Special Programs, Bureau of Postsecondary Education, 400 Maryland Avenue S.W., Washington, DC 20202. Telephone: (202) 245-2736.

PROGRAMS

13.501 VOCATIONAL EDUCATION-WORK STUDY

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Vocational Education Amendments of 1968, Title I, Part H; Public Law 90-576; 20 U.S.C. 1241-1391; 82 Stat. 1064-1091 and Education Amendments of 1972; Public Law 92-318, Title II-Vocational Education, Section 207, 20 U.S.C. 1371; 86 stat. 326.

OBJECTIVES: To assist economically disadvantaged full-time vocational education students, age 15-20, to remain in school by providing part-time employment with public employers.

TYPES OF ASSISTANCE: Formula Grants.

USES AND USE RESTRICTIONS: Funds may be used for the development and administration of the program and for compensation of students employed by the local educational agency or other public agencies or institutions.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: State boards for vocational education.

Beneficiary Eligibility: Full-time vocational education student who is in need of the earnings from such employment to commence or continue his vocational education program.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: From the sums available the Commissioner shall allot to each State an amount which bears the same ratio to such sums for such year as the population 15-20, inclusive, of the State, in the preceding fiscal year bears to the population 15-20, inclusive, of all the States in such preceding year. Federal funds may be used for 80 percent expended for compensation of students and an amount, not to exceed 1 percent of the allotment, or $10,000, whichever is the greater, may be expended for the development and administration of the plan.

Length and Time Phasing of Assistance: Fiscal year. Funds appropriated during any fiscal year ending prior to July 1, 1978 which are not obligated or expended prior to the beginning of the next fiscal year, shall remain available for obligation and expenditure during such succeeding fiscal year. States draw funds as needed under Letter of Credit.

FINANCIAL INFORMATION:

Account Identification: 09-40-0273-0-1-501.

Obligations: (Grants) FY 75 $9,849,000; FY 76 est. $9,849,000; T.Q. est. $2,462,000; and FY 77 $0.

Range and Average of Financial Assistance: $1,205 to $748,504; $175,875.

REGULATIONS, GUIDELINES, AND LITERATURE: Title 45 CFR, part 102; no charge; "Vocational Education and Occupations", Government Printing Office, $2.25; "Learning for Earning," Government Printing Office $0.15; "Career Education", Government Printing Office, $0.20.

INFORMATION CONTACTS:

Regional or Local Office: See the appendix for a list of the addresses of HEW regional offices.

PROGRAMS

Headquarters Office: Director, Division of Vocational and Technical Education, Bureau of Occupational and Adult Education, Office of Education, Washington, DC 20202. Telephone: (202) 245-9825.

PROGRAMS

13.539 BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

(Basic Grants)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Amendments of 1972, Title IV, Part A, Section 411; Public Law 92-318; 20 U.S.C. 1070a.

OBJECTIVES: To assist in making available the benefits of postsecondary education to qualified students.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: The student must have been accepted for enrollment in, or be in good standing at, an eligible institution of higher education, which includes colleges, universities, vocational-technical schools, and hospital schools of nursing. Also, he must be enrolled on at least a half-time basis in an undergraduate course of study. Graduate students are not eligible for assistance. Eligible institutions include public or private nonprofit institutions of higher learning. Students are eligible for up to 4 years of undergraduate study (or 5 years in some cases). Amounts of grants are determined by family contribution schedules, cost of education and level of appropriation but in no case are they more than $1,400 for the fourth year of operation (academic year 1976-77). Basic educational opportunity grants are restricted to undergraduate students enrolling at eligible institutions on at least a half-time basis.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Undergraduate students attending eligible institutions of higher education, and enrolling at least on a half-time basis.

Beneficiary Eligibility: Undergraduates attending eligible institutions of higher education and meeting the above criteria.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Basic Grants cannot exceed one-half cost of attendance at full funding or one half of need at less than full funding; therefore, additional assistance is required to meet total need.

Length and Time Phasing of Assistance: Students are limited to one Basic Grant during any academic year.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502

Obligations: (Grants) FY 75 $660,000,000; FY 76 est. $715,000,000; T.Q. est. $492,450,000; and FY 77 est. $1,100,000,000.

Range and Average of Financial Assistance: Grants may range from 200 to an estimated $1,400 with an average award of $850 in academic year 1976-77.

REGULATIONS, GUIDELINES, AND LITERATURE: "Fact Sheet", no charge, and Application Form, no charge; Determination of Basic Grant Eligibility Index, no charge; Eligible Institutions under Basic Grant Program, no charge.

PROGRAMS

INFORMATION CONTACTS:

Regional or Local Office: Regional Directors of Postsecondary Education, the Director of Student Financial Aid at the institution the student wishes to attend, or high school guidance counselors.

Headquarters Office: Director, Division of Basic and State Student Grants, Bureau of Postsecondary Education, U.S. Office of Education, Washington, DC 20202. Telephone: (202) 245-1835.

PROGRAMS

13.546 EDUCATIONAL PERSONNEL DEVELOPMENT-INDIAN TEACHER TRAINING

EPDA--FIVE PERCENT INDIAN SET-ASIDE

FEDERAL AGENCY: U.S. OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

AUTHORIZATION: Education Professions Development Act, Part D, Section 532. P.L. 90-35, as amended by the Indian Education Act, P.L. 92-318, Title IV, Part E.

OBJECTIVES: To prepare persons to serve as teachers of children living on reservation. To support programs which (1) show promise of increasing the number of Indian teachers and (2) take into account the culture and Language of the tribes to be served.

TYPES OF ASSISTANCE: Project Grants

USES AND USES RESTRICTIONS: Funds may be used to support programs which train persons specifically to be teachers of Indian children. This support may cover such items as stipends and dependency allowances, tuition, instructional cost, tutoring services, administrative costs, and travel allowances. Preference in selecting participants must be given to Indians.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Institutions of higher education and other public and private nonprofit agencies, including Indian tribes and organizations.

Beneficiary Eligibility: Persons serving or preparing to serve as teachers of Indian children, with preference give to persons who are Indian.

ASSISTANCE CONSIDERATION:

Formula And Matching Requirements: None

Length And Time Phasing Of Assistance: Generally, twelve months. Assistance is released on the basis of monthly estimates of need.

FINANCIAL INFORMATION:

Account Identifition: 09-40-0273-0-4-503

Obligations: FY 75 $400,000; FY 76 est. $250,000; TQ est. $0; and FY 77 est. $0.

Range And Average Of Financial Assistance: $40,000 to 200,000. Average $100,000

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 174

INFORMATION CONTACTS:

Regional Or Local Office: None

Headquarters Office: U.S. Office of Education, Office of Indian Education, Washington, D.C. 20202, Phone: (202) 245-7525

PROGRAMS

13.548 GRANTS TO STATES FOR STATE STUDENT INCENTIVES

(State Student Incentive Grant Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, Title IV, Part A, Subpart 3 as amended by the Education Amendments of 1972, Public Law 92-318.

OBJECTIVES: To make incentive grants to the states to develop and expand assistance to eligible students in attendance at institutions of postsecondary education.

TYPES OF ASSISTANCE: Formula Grants.

USES AND USE RESTRICTIONS: To make matching grants of up to $1500 for full-time (reduced for less than full-time but greater than half-time) attendance to undergraduate students with substantial financial need who are enrolled at postsecondary institutions.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Any State with a need-based, undergraduate scholarship/grant program.

Beneficiary Eligibility: State Student Scholarship or Assistance Agencies, properly certified.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Each State receives an allotment and possibly a reallotment of funds based upon full and half-time undergraduate attendance figures - the number of students in attendance in each State is compared to the total attendance in all the states; once maintenance of effort requirements are met, states match Federal funds on a 1:1 basis under this program.

Length and Time Phasing of Assistance: Funds may be paid to states over a 2-year period, once obligated by June 30 of the fiscal year for which appropriated.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-602.

Obligations: (Grants) FY 74 $19,000,000; FY 75 $20,000,000; FY 76 $44,000,000; T.Q. est. $0 and FY 77 $50,000,000.

Range and Average of Financial Assistance: $3,618 to 3,137,300; $400,000 average based upon estimated allotments.

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 192 (Program Regulations) dated May 31, 1974 and April 23, 1975. Fact Sheet-February 1975, and Directory of State Agency Official Contacts (current).

INFORMATION CONTACTS:

Regional or Local Office: Program Announcement. List of Higher Education Authorities and State Student Scholarship or Assistance Agencies.

Headquarters Office: Director, State Student Incentive Grant Program, Bureau of Postsecondary Education, Office of Education, Seventh and D Streets, S.W., Washington, DC 20202. Telephone: (202) 245-2354.

PROGRAMS

13.555 PUBLIC SERVICE PROFESSIONAL EDUCATION - INSTITUTIONAL GRANTS AND FELLOWSHIPS

(Public Service Education Program)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Higher Education Act of 1965, as amended, Title IX, Parts A and C.

OBJECTIVES: Part C provides up to 500 fellowships annually for graduate or professional study for recent college graduates intending to pursue a career in public service. Part A provides grants to institutions of higher education to estimate, strengthen, and develop programs of public service education.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Program grants may generally be used for faculty improvement, curriculum development, cooperative arrangements, strengthening admininistration, or acquisition of instructional equipment and materials. No grant may exceed 66 2/3 percent of the total cost of the project, or 50 percent of the cost of books, materials or equipment. Nor may any grant be made for sectarian instruction or religious worship. Fellowships are allocated to institutions with approved programs. Holders must demonstrate a serious intent to enter public service, maintain satisfactory academic records, devote full-time to their studies, and not engage in unrelated employment.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: (1) For the Part A grants, any accredited institution of higher education with a graduate or professional program of public service education leading to an advanced degree, other than a medical degree. (2) For fellowship applicants, any individual accepted by an approved institution as a candidate for an advanced degree; must be a citizen or native of the United States or if an alien have permanent resident status (also see USES AND USE RESTRICTIONS above).

Beneficiary Eligibility: Graduate and professional students preparing for a career in public service.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Under the institutional grants, Federal payments may not exceed two-thirds the total cost of the project; or 50 percent of the cost for the purchase or rental of books, audiovisual aids, scientific apparatus, or other materials or equipment.

Length and Time Phasing of Assistance: Grants and fellowships are awarded for one year only. Actual grants are of course subject to annual Congressional appropriations. Renewals or extensions will depend upon evidence of progress during the preceding year.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Institutional grants) FY 74 $0; FY 75 $2,300,000; and FY 76 $2,120,000. (Fellowships) FY 74 $0; FY 75 $1,700,000; FY 76 $1,880. 000, and T.Q. est. $0, FY 77 no funds requested.

Range and Average of Financial Assistance: Estimated average grant of $40,000; Estimated fellowship $6,500.

REGULATIONS, GUIDELINES, AND LITERATURE: To be developed.

INFORMATION CONTACTS:

Regional or Local Office: None.

Headquarters Office: Bureau of Postsecondary Education, Division of Training and Facilities, Training and Program Development Branch, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, DC. Telephone: (202) 245-8083.

PROGRAMS

13.567 MINING AND MINERAL FUEL CONSERVATION FELLOWSHIP PROGRAM

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Law 92-318, Title IX, Part D, Section 961 (a)(1).

OBJECTIVES: To assist students of exceptional ability, who demonstrate a financial need, to undertake graduate study in domestic mining, mineral and fuel conservation.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Fellowships awarded under this program shall be for graduate and professional study leading to an advanced degree or research incident to the presentation of a doctoral dissertation. Fellowships may be awarded for study at any institution of higher education or research center approved by the Commissioner. Fellowships may be awarded for periods of study not to exceed three years to students accepted as advanced degree candidates by an institution of higher education, or who have completed all course work and examinations required for a doctor's degree and whose doctoral dissertation proposal has been accepted.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Any accredited institution with a graduate/professional program leading to an advanced degree in mining, mineral, and mineral fuel conservation including oil, gas, coal, oil shale, and uranium.

Beneficiary Eligibility: Students accepted as candidates for an advanced degree by an institution of higher education or who have completed all course work and examinations required for a doctoral degree. Students must maintain satisfactory proficiency in their studies and devote full time to their study or research. No fellowships will be awarded for study at a school or department of divinity.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: The basic fellowship stipend is $3,000 for each academic year of study. An additional amount of $300 per year is paid to each fellow for each dependent, the total dependency allowance not to exceed $1,500 per academic year. In addition, each fellow is to be reimbursed for his actual travel costs, for himself and his dependents, in making one round-trip between his home and place of study. The institution at which the fellow is studying receives an allowance which is 150 percent of the fellow's basic stipend. There is no matching requirement.

Length and Time Phasing of Assistance: Fellowships may not be for more than three years.

FINANCIAL INFORMATION:

Account Identification: 09-40-0293-0-1-502.

Obligations: (Grants) FY 75 $1,500,000; FY 76 $3,000,000; T.Q. est. $0 and FY 77 no funds requested.

Range and Average of Financial Assistance: Three to five fellowships per institution as an average.

REGULATIONS, GUIDELINES, AND LITERATURE: Funding criteria to be published in the Federal Register.

INFORMATION CONTACTS:

Regional or Local Office: None.

Headquarters Office: Bureau of Postsecondary Education, Division of Training and Facilities, Chief, Training Section, U.S. Office of Education, 400 Maryland Ave., S.W. Washingtion, D.C. 20202.

PROGRAMS

13.768 TRAINING GRANTS IN THE FIELD OF CHILD WELFARE

FEDERAL AGENCY: SOCIAL AND REHABILITATION SERVICE, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Social Security Act of 1935, Section 426.

OBJECTIVES: To develop and maintain an adequate supply of qualified and trained personnel for the field of Child and Family Services, and to improve educational programs and resources for preparing personnel for this field.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: Section 426 grants are made to public or other non-profit institutions of higher learning for special projects for training personnel for work in the field of child welfare.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Institutions of higher learning are eligible for grants under Section 426.

Beneficiary Eligibility: Individual students in approved educational programs are eligible for traineeships under Section 426.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Matching requirements are negotiable.

Length and Time Phasing of Assistance: Grants are awarded for a period of 1 year but may be continued for a longer period subject to the availability of funds for the program.

FINANCIAL INFORMATION:

Account Identification: 09-50-0581-0-1-999.

Obligations: (Grants) FY 75 $8,900,000; FY 76 est. $7,450,000; TQ est. $0; and FY 77 est. Not presently available.

Range and Average of Financial Assistance: Average grant under Section 426 is $50,000.

REGULATIONS, GUIDELINES, AND LITERATURE: SRS Training Grant Guidelines are issued annually. Grants administration policies are available at all times in each regional office. No charge for guidelines and policies.

INFORMATION CONTACTS:

Regional or Local Office: Contact the SRS Regional Commissioner (see address appendix).

Headquarters Office: State Management and Training Staff, Public Services Administration, Social and Rehabilitation Service, 330 C St. S.W., Washington, DC 20201. Telephone: (202) 245-8998.

PROGRAMS

13.925 FUND FOR THE IMPROVEMENT OF POST SECONDARY EDUCATION

(The Fund)

FEDERAL AGENCY: OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Education Amendments of 1972, Title III, Section 404; Public Law 92-318; 86 Stat. 328.

OBJECTIVES: To provide grants and contracts for innovative programs in postsecondary education.

TYPES OF ASSISTANCE: Project Grants.

USES AND USE RESTRICTIONS: The Fund provides project grants for activities sponsored by institutions and agencies which develop and demonstrate more effective approaches to the provision of postsecondary education. Priority is given to activities which relate to: (1) learner-centered change; (2) increased cost-effectiveness; (3) increased diversity; and (4) needed structural change. No restrictions, but low priority is given to requests for student aid and construction costs.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: All postsecondary institutions and agencies.

Beneficiary Eligibility: Same as applicant eligibility.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: The Fund suggests that some institutional funds be included as part of program support, but this is not required by legislation or regulation.

Length and Time Phasing of Assistance: The Fund plans to support some multi-year projects on a declining fund basis; grants are awarded on a 1,2, and 3-year basis, with phasing of assistance as required.

FINANCIAL INFORMATION:

Account Identification: 09-44-1402-0-1-502.

Obligations: (Grants) FY 74 $9,919,000; FY 75 $11,497,000; and FY 76 est $11,500,000.

Range and Average of Financial Assistance: $4,000 to $300,000; $103,000.

REGULATIONS, GUIDELINES, AND LITERATURE: Program information document dated October 25, 1973, and regulations in Federal register: January 11, 1974. Press release on fiscal year 1973 awards dated July 24, 1973; Press release on 1974 awards dated August 23, 1974. Program information document for fiscal year 1975 program to be published.

INFORMATION CONTACTS:

Regional or Local Office: Not applicable.

Headquarters Office: Director, Fund for Postsecondary Education, Office of the Assistant Secretary for Education, 400 Maryland Ave., Washington, DC 20202. Telephone: (202) 245-8091.

FEDERAL PROGRAM OF INSURED LOANS TO GRADUATE STUDENTS IN HEALTH PROFESSIONS SCHOOLS

FEDERAL AGENCY: U.S. OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Public Health Service Act, Title VII, Part C, Subpart 1; 42 U.S.C. 294

PURPOSE: To provide a Federal program of student loan insurance for students in eligible institutions.

Scholarships for First Year (Professional School) Students of Exceptional Financial Need.

Sect. 758 of PHS Act

Traineeships for Students in Schools of Public Health

Sect. 748 of PHS Act

Traineeships for Students in Other Graduate Programs (Health)

Sect. 749 of PHS Act

Lister Hill Scholarship Program (Not Funded)

Sect. 759 of PHS Act

Traineeships for Advance Training of Professional Nurses

Sect. 830 of PHS Act

Scholarship Grants for Schools of Nursing

Sect. 845 of PHS Act

OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

WEDNESDAY, JUNE 1, 1977

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:12 a.m., in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Simon, Mottl, Cornell, and Quie.

Staff present: Thomas Jolly, counsel; Patricia Morse, clerk; Mary Paul, secretary; and Robert Andringa, minority staff director.

Mr. Ford. I call the hearing to order.

This marks the second of a series of hearings we announced a short time ago to be conducted primarily with attention on Federal student financial assistance programs. In the exercise of the committee's oversight responsibilities, not only for programs of the subject matter of which is before the Committee on Education and Labor for legislative purposes, but all education programs funded by the Federal Government that produced directly or indirectly student assistance. Whether this committee has the legislative jurisdiction or not, we are operating under the new rule which gives us oversight jurisdiction with respect to all such education programs wherever they can be found in the Government.

In the future, we will be hearing from other Federal officials as well as from student groups, veterans groups, State officials, and student financial aid officers.

Today we are fortunate to have with us a distinguished panel of college and university officials representing important segments of the postsecondary education community which we will recognize as they come forward.

I would like to invite them now, Charles Lyons, Jr., chancellor, Fayetteville State University, Fayetteville, N.C.; Paul E. Hadley, academic vice president, University of Southern California, Los Angeles, Calif.; Peter Magrath, president, University of Minnesota, Minneapolis, Minn.; and Paul Hardin, president, Drew University, Madison, N.J.

If you gentlemen would take your places at the table, I would like to welcome you here this morning. It is my understanding that Dr. Richard Hagemeyer, president of Central Piedmont Community College in Charlotte, N.C., who was originally scheduled to appear with you gentlemen is unable to appear today because of urgent business back home, but we have given him assurances through Mr. Jack Tirrell that he would be given an opportunity to testify at a later date.

I might mention that recently I was in Denver with Jack Tirrell when he was something close to furious about the fact he had traveled all the way across the country leaving a convention of his association in Denver to come here to appear, not before a subcommittee of our committee, but before another committee on an important matter. And after waiting all day he got some 7 to 9 minutes' time. I rode back to Denver with him while the smoke was coming out from under his collar.

Mr. MOTTL. Mr. Chairman, that issue was before my subcommittee, and I told Mr. Tirrell he could have ample time. So he had no need to blow off steam. He could have appeared before our committee any other time he so desired. I am again extending that invitation to you, Mr. Tirrell, to appear before our subcommittee, Educational Veterans' Subcommittee. So I think if he was blowing off steam it was of really no value to him to do so, because we had invited him back before the subcommittee to have as much time as he wanted.

Mr. FORD. I hope he will take advantage of the opportunity to go back before that subcommittee. For that reason we assured him instead of simply putting the statement of his organization in the record today, we will extend an invitation at another time for the organization to expand upon the prepared testimony that was submitted in anticipation of today's appearance.

Gentlemen, I understand that you wish to proceed with Mr. Magrath first and then Mr. Hardin, Mr. Lyons, and then Mr. Hadley.

Without objection, the prepared statements for each of the groups represented by these gentlemen presented to the committee under the rule will be inserted in the record at this point with their comments following on the record. You may proceed to expand upon, explain or underline as you see fit.

[The prepared testimony of C. Peter Magrath follows:]

Testimony for the Subcommittee on Post-secondary Education
House Committee on Education and Labor
C. Peter Magrath, President
University of Minnesota
June 1, 1977

Mr. Chairman, members of the Subcommittee, my name is C. Peter Magrath, and I am President of the University of Minnesota. As background information, I should explain that the University of Minnesota was chartered in 1851 and now includes five campuses, sixteen research stations or centers, and a number of extension and service centers throughout the state. Last fall's regular enrollment was 56,138, with over 26,000 additional students served through various extension courses, not counting agricultural extension. The University of Minnesota's Twin Cities Campus is the nation's largest single campus; last fall we enrolled a total of over 64,000 and continuing education students.

My remarks to this Subcommittee are made on behalf of my own institution, but I believe you will find that Minnesota's characteristics and concerns are widely representative of other major state universities. In some respects, however, I must tell you at the outset that I may be able to speak from a position of considerably more comfortable financial circumstances than other major state universities. In fiscal year 1975, we ranked fifth in total Federal obligations to universities, and we ranked eighth last year in total private support. We finished the state legislative session a week ago, and while we were ordered to cut back 258 academic and civil service positions, the bottom line still provides for an increase of about $65 million for total university operations over the next two years. Many state universities are not being treated this well at the moment, so while our concerns may be similar, I would urge this Subcommittee to schedule as much institutional testimony as possible over the coming months.

To a substantial -- and unfortunate--degree, Minnesota's finacial situation has been a function of the numbers game. Like other large universities, our ability to handle our instructional, public service, and research missions has depended directly or indirectly on growth in enrollments. For the traditional college age group, it is now perfectly apparent that the growth period is coming to an end, and therein lie some of our most serious problems--both short range and long range. For all practical purposes, American post-secondary education has always been in a growth situation, not just since World War II.. The shift to stable or declining enrollment, therefore, signals profound changes in the way we go about the work of education, and I think it is fair to say that neither politicians nor educators have yet gained anything like a full understanding of the nature and impact of those changes.

In Minnesota's situation, we are still projecting enrollment growth in the 18 to 24 year old population. Barring a major change in college-going rates, however, we expect a decline in the early 1980s which will bring us back to our current level by the early 1990s. What happens after that is anybody's guess, but we already know full well that our state legislators are reluctant, understandably, to make long-term commitments to fund our enrollment bulge when they know that it is a temporary bulge. As a university executive, I must share their reluctance, since I do not like to look forward to lay-offs of faculty and staff, and we are currently working on a plan to handle as many new staffing needs as possible by using funds released by retirements projected over the next ten years. Even with this strategy, and with whatever new staffing funds our legislature might provide over the next several years, it is a safe bet that we will have to handle enrollment growth without commensurate staff growth. Certainly some of the enrollment growth can and should be handled at marginal cost, and tuition paid by added students probably will cover the actual costs of instruction. In the immediate future, though, this means that colleges and universities will be expected to teach more students with few, if any, additional faculty. Further, given instructional staff limitations, it seems most unlikely that institutions will be able to add administrative staff--if, indeed, they can keep what they now have.

In planning for today's hearing, my colleagues and I fashioned a rough division of labor for topics to cover, and I was asked to address three seemingly disparate topics: our problems with the Veteran's Administration, the needs of graduate education and research, and the general problem of costs of compliance with governmental regulations.

My opening remarks about the numbers game and the problems of playing it were intended to provide a context within which I see these three topics coming together as parts of a basic problem of universities. We are now in a situation where more instruction, research, and service is either required or desirable, but we will not be granted many, if any, additional personnel to handle these functions. Further, we are faced with more restrictions, more guidelines, more compliance and accountability reports, and more procedural and legal hassles in general, all of which require substantial and rapidly increasing attention, time, and faculty and administrative costs. This comes at a time when we cannot afford it, and there are very few instances where new demands are accompanied by new dollars to help us meet the demands.

While this seems to be the year for horror stories about paperwork, compliance costs, and regulatory overkill, I will offer only brief comments about a few of our current difficulties. As members of this Subcommittee, you will hear about these problems, I suspect, at nearly every hearing, and while some of the statistics probably will not lend themselves to a crisp, coherent picture of the extent of the problems, I would urge you to see our concerns and suggestions as good faith efforts to support much of the philosophy behind the legislation and regulations, while seeking better, mutually satisfactory ways to implement them.

Just about a year ago, I delivered a commencement speech at the University of North Dakota, calling for a peace treaty among universities and federal agencies in matters of compliance with social legislation. Former Congressman Joe Karth was kind enough to insert the text in the July 21, 1976 Congressional Record (Pages E 3961-3962), so I will not repeat the earlier comments, but the gist of my remarks was that universities should support and do support the good intentions of the several new laws and guidelines to reform social enterprises. Supporting the intent and carrying it out, however, can be different breeds of cat, and I entered the plea that governmental agencies become more sensitive to the institutional problems and costs of compliance and the need for better coordination and communication in the process of developing their regulations. Finally, I argued that government decision-makers must pay more attention to the costs of compliance. To order an action without providing the wherewithall for carrying it out invites inequitable passing along on costs, inappropriate cutbacks in other programs, partial and stop-gap measures, and worst of all, only superficial delivery of what the legislation and regulations promises to those who fought for them.

If the often-quoted law that "things will get worse before they get better" has any validity, we should be much encouraged--things have indeed gotten worse in the past year. At the moment, the University of Minnesota is spending at least $1 million every year to comply with state and federal regulations which do not provide any money to help us comply. This figure represents only the direct, budgeted costs. It does not include faculty time at all. It does not include the indirect, hidden costs that stem from the fact that we have to find that money by raiding existing budgets, therefore using money that could and should be used for educational programs. I do not even want to try to estimate the total costs for our system, lest someone be inspired to develop a whole new set of forms and guidelines for determining the costs of the forms and guidelines.

Studies of compliance costs are, however, being conducted and published.

and I believe these will provide essential information to the Congress about the fiscal impact of legislation. The evidence is clear: compliance costs have doubled in the past years, and the great bulk of this increase has been in people costs. There is no evidence that I have seen that would suggest that people costs will not continue to spiral in the next five years. This will be difficult enough, but the facilities costs will be enormously larger. The combined costs of remodeling buildings to meet OSHA standards, energy conservation needs, and the new guidelines for accessibility to the handicapped cannot possibly be less than $10 million for the University of Minnesota, just to handle the most pressing needs.

At the national level, we are faced with billions of dollars, just for post-secondary education. Unless some rational funding strategy can be found among state and federal governments, we are going to need more than blanket compliance mandates; we are going to have to have a highly coordinated, rationally, and sensitively developed program for phasing the work over a long range schedule. To illustrate the need for interagency coordination at the federal level and coordination between state and federal government, I should explain that the State of Minnesota also has OSHA, energy, and handicapped access requirements. If the federal government tells the University of Minnesota to remodel a building for, say, accessibility purposes, and if we start knocking down a wall, we are automatically required to expand the work in order to meet OSHA standards and the state energy code as well. Since all these jobs have to be done anyway, it only makes good sense to do them all at once, but the added costs are real, and at the moment, they are not being funded. An agency of government may well be able to get off the hook temporarily by issuing a set of regulations, but the regulations alone simply will not get the work done. That is unfortunate, because it is work that should be done.

The other kind of regulation that is of general concern to colleges and universities deals with the magic word, "accountability." It is a magic word these days, for understandable and wholly desirable reasons, but I submit to you that the combined effects of state and federal accountability measures for post-secondary education have become uncoordinated, excessively elaborate, duplicative, costly, and in some cases, probably ineffective and counter-productive. In short, we are spending far too much time and money trying to report on what we are supposed to be doing.

Farmers in my state judge their crops on the basis of results. They know full well that repeatedly pulling a plant out of the ground to check its root structure and growth is going to kill the plant. They might not have a sophisticated understanding of how the roots carry water to the plant, and they don't know for sure that a given root is going about its assigned duties on a given day, but they do understand why they planted it and how they fertilized it, and come harvest time they know how to judge its performance and whether they should do something different next year.

By contrast, colleges and universities are often expected to up-root programs at any point along the way, sometimes several times for the same agency, and too often for other agencies who come along as soon as another has just left. Effort certification for federal grants and contracts is but one example. To get at the abuses--alleged and occasionally real --of a few investigators, scientists all over the country are, in effect, submitting time cards to their institutions, who submit them to Washington. Massive amounts of information are now available to you, as Congressmen, to assure you that a researcher reports that he or she is spending as much time on a federal project as was estimated in the proposal. Unfortunately, you do not have very good access to information on the results of the work, written in language you can understand without a scientific dictionary and in a format that recognizes the amount of time you have to read it. But you do know that the researcher reports spending a given amount of time. The kicker, of course, is that the person who is intent upon falsifying the report can almost always find a way to do it. We are wasting a good deal of time and money on this reporting exercise and ending up with information that really doesn't accomplish much of substance, but if you call an agency to ask about a project, they can tell you that they are monitoring it, and that they have the effort certification duly signed. What saves us is that all but a few researchers are honest, serious people who want to do the job they have been asked to do.

Effort certification is only an example. I won't go into others now, but the general problem we face is that agencies and individuals in state and federal government have a tendency to ask for a complete accounting whenever a question arises, without checking first to find out whether another accounting has already been done that would answer the question. Educators have long been known to build you a watch when you ask the time, but they are not alone. Government often asks that a watch be built, and sometimes demands that several be built, when it would be a whole lot simpler to ask the time.

Solutions are not easy, especially at the national level, but your continued attention to the problem can only help. Congressional interest should be directed toward the accountability of the agencies as well as the institutions, especially toward the ways in which agencies try to monitor and evaluate the work of the institutions. Finally, while I'm at it, I will be presumptuous enough to suggest that the Congress itself should be more conscious of the need for coordinating its oversight functions, which have developed rapidly and extensively in just the past few years. If several oversight committees direct agencies to gather the same or similar information, one cannot blame the agency for responding to its orders.

This leads into another of my topics this morning, the well-publicized problems between post-secondary education and the Veterans Administration. In response to allegations of abuse, some of which were warranted, the Congress, the V.A., and the State Approving Agencies have taken action to strengthen enforcement, both in terms of students receiving benefits and institutions offering programs to veteran students. The catalog of resulting problems and disagreements is massive, and every member of this committee has probably received more letters from students and administrators and more responses from the V.A. than he wishes to remember, but I summarize and comment upon the circumstances of my own institution and students.

As of the end of Fall Quarter, 1976, 1,235 student veterans at the University of Minnesota (about one-fourth of our veteran student enrollment) lost V.A. educational benefits under the academic standards established by the Minnesota State Approving Agency. The response to this by V.A. and S.A.A. officials has tended to be surprise that "so many of our veteran students are using benefits fraudulently." Before joining them in that reaction, consider the following:

1. Studies of Minnesota's veteran students show that they progress academically at least as well as their non-veteran counterparts.

2. Of the day students who lost benefits, over half were in their junior or senior years.

3. Three-fourths of those losing benefits were maintaining at least a "C" average.

4. Only about ten per cent of those who lost benefits are back in school.

Frankly, I have no doubt that Minnesota had a few cases of downright abuse, most of which would have run afoul of institutional standards. However, the use of a meat ax when a scalpel would have sufficed, the direct and flagrant attempt to substitute agency rules for educational standards that are the proper jurisdiction of the institution, and the whole absurdity of requiring veteran students to abide by more stringent standards than non-veteran students in general and non-veteran students receiving other forms of federal financial aid in particular, have all contributed to a breakdown in the system. Universities, State Approving Agencies, and the Veterans Administration once worked reasonably well together for a common purpose--the providing of educational opportunities to a group of students who, by nature of their contributions to our well-being, have been judged by public policy to be worthy of some special benefits. The original G.I. Bill, in a direct economic way, gave preferential treatment to veterans; aside from Social Security recipients, very few non-veteran students had any access to federal funds. Now the situation is at least partially reversed: veteran students would be better off to receive general student aid, with less stringent standards. To curb some abuses, we have now created a greater abuse; to save the village, we seem bent on destroying it -- a mistake, in a different context, we made in Vietnam, and a mistake we ought not repeat.

The signals that have gone out to today's veteran students are profoundly disturbing. Whether warranted or not, these students are getting the signals that they are second-class citizens; that education is of lesser priority in the V.A. than its other functions; that the "system" doesn't work; and that they are paying a double price for participation in a war that was not popular at either end of the political spectrum. If, as many now agree, the Vietnam war was an American tragedy, must we now continue that tragedy by mistreating and humiliating the veterans of that period -- men and women who served their country well?

I have written and read enough letters and participated in enough meetings to conclude, unhappily, that the normal negotiation process will not solve the problems. The whole model of general guidelines from Washington being interpreted by state agencies closer to the specifics of local situations and implementation being carried out by the educational institutions still looks like it should work. It did in the past, but I have lost much of my optimism that it will work in the immediate future. At the moment, I think the solution will come either from the Courts, possibly in the Wayne State University Case, or through a different statement of Congressional intent. Whatever the result, I can only hope that it will restore due process for the veteran student, treating him or her in a manner consistent with other students, and remove the V.A. from an inappropriate role in educational decision-making.

Some of our other problems with the V.A. may be unavoidable, simply because of the inherent difficulties of writing national rules that cover all institutions fairly without leaving loopholes for fly-by-night institutions to get through. I fully appreciate the difficulty any agency must have in controlling the quick profit operations that inevitably show up to take advantage of some form of subsidy, but, as I mentioned earlier, we already jump through plenty of hoops and submit plenty of reports to other agencies of government in order to justify our existence. I would hope that the V.A. can make use of at least some of the reporting already done. There is plenty of evidence already on record that the University of Minnesota is not some institution established last night in order to recruit veterans and collect their benefits, and I see no point in paperwork requirements that treat us as if we were such an institution until we can fill out enough forms to show otherwise.

The course of my testimony, quite accidentally, has developed in a pattern that is quite consistent with the pattern usually found in meetings of university presidents lately. Derek Bok, President of Harvard University, has observed that our meetings, "which were once devoted primarily to educational issues," are now "dominated by discussions of how to cope with existing regulations and how to respond to the threat of new governmental initiatives." Having talked about the regulations, I can now turn to some bona fide educational issues, the need for federal support for graduate education and research.

I like to think of myself as being reasonably sensitive to the kinds of issues, questions, and pressures that are felt by political figures at the state and federal level. In the areas of graduate education and research, if I read the signs correctly, members of Congress and state legislators are hearing a series of messages that go something like the following:

- There are too many Ph.D.s who can't find jobs.
- Graduate education is too expensive.
- We need more problem-solving research and less esoteric research that nobody cares about except the people doing it.

I represent a university that is very heavily involved in both graduate education and research, and I have heard all these messages many times. I understand where the questions are coming from, and I understand all too painfully how difficult it is to hold public attention long enough to answer them and to frame our answers in a manner that makes good sense to the public.

Despite the publicity, the unemployment of Ph.D.s is a vastly overrated problem. Your subcommittee has access to all sorts of national manpower data, but little, if any, of it is probably worth much for decision-making. The total number of unemployed Ph.D.s has been proportionally smaller than general unemployment consistently, but people are understandably concerned whenever even a small number of graduates in whom we have invested public money are not finding jobs. My answer may not be acceptable to some, but I would have to say that we have to expect some overproduction, simply because graduate education processes cannot be turned on and off at will in order to adjust precisely to supply and demand. The fact that supply and demand vary so much in different locations around the country, and the fact that some people would prefer unemployment or underemployment to moving where the jobs may be, clearly complicate the subject and render most national data essentially useless.

Another factor in employment is our tradition of trying to provide for individual choice and opportunity. A few years ago, a Minnesota graduate student was testifying before one of our legislative committees, and one of the legislators asked her why the public should provide some of her support to pursue a Ph.D. in American Studies when there may only one job in the country in that field. Her answer, which I regard as classic, was, "If there is only one job available in the country, I'm going to get it." The legislator's reply was, "How can we argue with that?" As it worked out, there were a few more American Studies jobs than that, but there weren't many. She got one of the best.

Certainly the costs of graduate education are high, and they are going up all the time. No university president would dispute that fact, and, indeed, most of us spend a fair amount of time trying to explain that it is a costly operation. By any measure, however, the benefits of America's investment in graduate education are vastly higher than the costs. In strictly economic terms, even if you threw out 90% of our investment as totally wasted, which it hasn't been, the other 10% would yield dollar benefits that more than cover the total costs. This isn't the real issue, however. The point is that public funds must be used as effectively as possible, and care must be taken that the costs of graduate education be kept within some reasonable control. On that point, I would submit that the general budget problems already faced by universities will certainly force that kind of control without special initiatives from Congress.

Our problems with the financing of graduate education will continue to be problems of under-funding -- not over-funding. The need for highly educated persons is higher than ever. The problems we face, regardless of the field, are more complicated than they used to be, and they won't be solved without highly developed talent. Too often, we tend to equate job opportunities and job placement with need. There is an element of truth in that equation, but the equation ignores the fact that job markets reflect the perception of need, given the priorities we accept and the price we are willing to pay. The priorities and prices have a way of changing. Not many years ago, our society wasn't willing to pay much for new Ph.D.s specializing in alternative energy sources. Now we need them more than we probably still know, and universities across the country are turning them out. The fact that universities are able to do this, in this and in all the other fields of critical need, is heavily dependent upon a more general support of graduate education that has been building over the years. Specific needs will increase and decrease over shorter terms, but the general health of the whole range of graduate education is what makes it possible to adapt to those needs.

The same kinds of comments can be made about university research. Through federal, state, and private support, and through the individual time commitments of faculty who regard research as part of their regular workload, there is a very significant reservoir of basic and applied research going on in this country. Some of it may never be useful in the public's view, much of it may never result in some earth-shaking development, some of it was needed years ago when nobody paid attention to it, and some of it has changed and will change our lives dramatically.

Most of you have probably heard examples from your own states' institutions of the value of research, but I can't resist sharing one of mine. Minnesota is fortunate to have one of the most eminent solar energy researchers in the world on its faculty. In the past couple of years, he has received considerable funding for his research, and I can predict with some certainty that this will be productive work. The reason he will produce good results is that he has been at the task for more than twenty years, much of it in basic research that has produced information that will allow for applied research. One problem, of course, is that his earlier research efforts were not funded. Who needed solar energy when all was so cheap and supposedly plentiful? Now we have a crash program and, through hindsight, it becomes apparent that we would be better off now if we had provided even modest support to research in this field ten or twenty years ago.

We cannot predict the fields that might be critical twenty years from now, and it is not realistic to ask the public to support every field as fully as researchers might want, but we can take reasonable steps to assure that general research support is provided with some measure of stability. Further, we can avoid making snap judgments that turn off areas of research simply because the title sounds strange or because the obvious needs in one area might suggest ignoring the others.

From both state and federal governments, there is increasing pressure for applied research. This is a natural impulse that derives from a bewildering array of problems that are facing us right now. Our society needs answers--right now. To a large degree, I think it can be demonstrated that the performance of universities in producing some of the solutions is very good. I would say further that there are a number of new opportunities for universities to assist problem-solving. One of these is H.R. 7328, the Urban Grant bill that most of the members of this Subcommittee have agreed to offer. At the state level, I have just come from a legislative session where considerably increased appropriations to the University and to state agencies for applied research were approved. Not only were increases approved, a number of the programs started or expanded this year are highly coordinated, multi-agency efforts, reflecting not only an appreciation by legislators for the role of research, but a sophisticated understanding of multi-disciplinary problems and the importance of systematic approaches.

Our legislature's approach this year is immensely encouraging to me, but the support of applied research being evidenced does serve to underscore the importance of the basic research. I would liken the situation to another set of developments in the Midwest recently, the dramatic increase in the use of irrigation. Throughout the Midwest, even in states perceived as water-rich, farmers are turning to irrigation as a problem-solving application. Results are startlingly good in many cases, and applied science seems to have scored again. That applied science, of course, builds from a variety of basic research findings, but we are also coming to grips with the realization that there is a large body of basic research that has not been addressed adequately, and that is the whole spectrum of geological information about our region. In point of fact, we are not all that certain about the underground water supply, and there are areas where our applications may outstrip our basic resource capacities.

I did not select the irrigation example strictly as one more illustration of basic and applied research, however. I selected it because applied research, like irrigation systems, seems to be gaining more attention in a variety of problem areas, and I couldn't resist the analogy that basic research provides the information resource on which all these applications must depend.

STATEMENT OF C. PETER MAGRATH, PRESIDENT, UNIVERSITY OF MINNESOTA, MINNEAPOLIS, MINN.

Mr. MAGRATH. Thank you, Mr. Chairman. My name is Peter Magrath. I am president of the University of Minnesota, which is a large public university. I am very delighted, Mr. Chairman, to be here with my associates and colleagues in higher education to have a chance to visit informally with you on a number of key issues that are of concern to us.

The background statement, as you indicated, submitted on behalf of seven of the national educational associations does address itself in specifics to Federal financial aid issues. I am going to be commenting on a number of matters that seem to me to be pertinent, but I would like to say that I think this is a wonderful opportunity for us to work with you and your subcommittee in trying to develop an agenda today of issues that really do need examination in the final years of the 1970's and as we move into the 1980's.

Contrary to what some people say, higher education is a fundamental national interest and it affects us all regardless of our particular angle of vision, and there are some very key gut issues that I think all of us need to talk about, argue about, and try to resolve.

I would also like to make one other comment before I go into some points that I want to make. We will be talking this morning about a variety of issues, Federal regulations, the Veterans' Administration issue, and a number of other matters. I do not come here to represent an institution, although I do represent an institution. Institutions are important, but they are important for one purpose and that is if they serve the needs of people. It is not institutional needs that we are concerned with. We are concerned with what educations does with and for people. Students—the public service we try to provide, the research activities. It is the people service and not the institution, and its well-being narrowly defined, that should be our concern.

All of our colleges and universities face a variety of problems, many money problems, some of them are people problems and how to deal imaginatively with people. One safe prediction is we are in for a period of relative fiscal stringency. The demands on us for educational services, accommodation of students and the like are still very strong, and I think are going to continue strong in the next few years. And yet it is very clear that we are not going to receive large infusions of money regardless of whether we are an independent institution or public university. We are, in a loose sense, in a steady state situation in terms of additional personnel and additional resources. Yet we are also in a situation where there are incredible new obligations, obligations that I happen to support, imposed on us whether it is in the area of affirmative action, which I strongly support, whether it is in the area of access for handicapped, whether it is in the area of safety, whether it is in the area of energy conservation and on and on. These are social policy judgments that I think the American people have made and made correctly. And I want to be very explicit in saying I personally support these policy judgments, and I support them so much that I want to make sure that we are able to deliver on the fine rhetoric that we all say to each other about energy and about safety and about access for the handicapped.

One of the problems that we face in trying to deal effectively with some of these new social obligations that our colleges and universities have to have is the fact, to put it very bluntly, that we are up against an incredible number of regulations, paperwork, duplication, needless duplication of effort that is just unbelievably expensive and time consuming.

Last year, I gave a speech at the University of North Dakota in which I called for a peace treaty between the Federal Government and our Nation's colleges and universities. I suggested we ought to stop bickering. We ought to accept the social judgments of our time and support them; but we also ought to be able to work effectively to get them implemented, and that requires sensitivity on the part of Federal agencies as well as on the part of universities. And it involves a great deal of coordination between our State governments, our Federal Government and our colleges and universities.

I am not anywhere of the opinion that that kind of coordination has yet occurred. My comments last year were kindly introduced into the Congressional Record by your former colleague, Congress-Joe Karth. My basic point is if we are serious about the social policy, we need not only good attitudes and commitments on the part of colleges and universities, but we also need intelligent regulations, and we need to examine very carefully what is happening. One thing that is happening right now is that we are wasting incredible sums of money allegedly to comply with Federal regulations.

At the University of Minnesota, right now, I can safely say, we are spending at least $1 million a year to comply with Federal and State regulations, regulations and policies that obviously do not provide us with any money to help meet those compliance costs. And these compliance costs do not include faculty time and staff time. I am talking of direct, out of pocket expenses. I don't even want to try to estimate the total cost of Federal compliance for the University of Minnesota lest somebody be inspired to try to develop a whole new set of forms and guidelines for determining the costs of the forms and guidelines.

I have not seen any evidence that the people cost associated with these various programs is going to do anything but increase in the next 5 years. We are sure at the University of Minnesota that our costs have doubled in the last 5 years, and I think the trend line continues to be upward.

Another illustration. Again, I want to emphasize that I support the intent here, but I want us to be able to do it. This has to do with the whole area of OSHA standards, energy conservation needs, and the new guidelines for access for physically handicapped individuals. We estimate at the University of Minnesota that just to handle the most pressing needs, and I am not saying to comply fully, but just to meet the most pressing needs, we need to spend at least $10 million in the next year. Here we get into an area where there is a lot of interaction, but not much coordination between our universities, the State governments and the Federal Government The State of Minnesota has its own OSHA program. It has its own handicapped access program and it has its own energy conservation program. If the Federal Government, for example, asks us to knock down a wall in a building for the purpose of remodeling to meet a Federal OSHA standard, a perfectly legitimate judgment that the United States might make, the minute we knock down that wall we immediately have to start complying with a whole set of State regulations having to do with the State energy code, State OSHA standards and the like. Again there is nothing wrong with that. But we need to know that there is an interrelationship that costs money. The question is, where does the money come from. If you spend it for one thing, are you taking it away from students' needs? Are you taking it away from the basic institutional programs that serve students?

Another word we all have heard much about is accountability. I guess in plain English we all want accountability. We want to make sure the dollars get spent for the purpose they are intended to be spent and the job gets delivered. But in quest of accountability, I think we have dug ourselves into a trap. We are filing useless reports. I don't know where they are all being stored in Washington. I know we are shipping them here. I think we are going a little bit too far.

I represent a farm State. In my State, farmers judge their crops on the basis of the results at the end of a growing season. A farmer knows that if he pulls out a plant from the ground every day or two to check it he is going to destroy the plant and he is not going to get any results. The farmer may not understand the whole chemistry of the plant, but he understands basically that the water gets carried by the root structure into the plant. He may not understand what that root is doing on a given day to feed the plant, but he understands that something is happening and he understands about fertilization. He knows that at harvest time he can judge the performance and whether or not something needs to be changed for next year.

I would like to suggest that our colleges and universities are in a position right now where we are expected to uproot programs at any point along the way, sometimes several times for different agencies, and then try to make sure that the end result, the product is still a pretty good one.

On effort certification, which relates to the Federal grants and contracts that our research universities engage in, we are literally now submitting massive time cards to the Federal Government. This means that you as Congressmen can find out, on the basis of effort certification reports that don't tell you a great deal, whether or not the end result or the end product meets Federal or congressional intent.

When you ask university educators what time it is, we have a tendency, I confess, to tell you how the watch was built and not just the time.

I would like to suggest that right now we are in a situation where Government is often asking that a watch be built, sometimes we are being asked to build three or four watches. I think it would be a lot simpler to ask us what the time is and see whether or not the time seems to match the realities of your expectations.

A few weeks ago, the national higher education associations communicated with the President regarding the work of the Federal Paperwork Commission that does address itself to this complex area. Nobody implies that it is not a complex area, or that there is not some legitimate need for paperwork. I would like to suggest, Mr. Chairman, that you and your associates give some consideration at some point during your hearings in the months ahead, to looking into this question of what is going to happen with the recommendations of the Federal Commission on Paperwork and whether or not there will be any followthrough on all of our rhetoric which says we ought to cut down on some of the needless paperwork that is interfering with getting the job done.

I would like to shift to discuss an issue I have to confess emotionally upsets me. You may want to discount a little of my comments because of that. This is an issue involving the Veterans' Administration and the regulations as they are being imposed on our colleges and universities involving the benefits to veteran students.

First, a couple of statistics, and I will refer to my university, the University of Minnesota.

At the end of the fall quarter, 1976, that is this past fall quarter, 1,235 student veterans, about one-fourth of our total veteran student enrollment, lost their VA educational benefits under the academic standards established by the Minnesota State Approving Agency. The response to this by the Veterans' Administration and by the State approving agency has basically tended to be surprise that so many of our veterans are using benefits fraudulently. Before I can join in that reaction, I would like to make these points.

First, studies of Minnesota veteran students show that academically they progress at least as well as students who are not veterans. Of the daytime students who lost their benefits, over half were already in their junior or senior years. These were not just students who showed up for the first quarter. Half of the ones who lost their benefits were already in their third or fourth quarters. Three quarters of those who lost their benefits were maintaining at least a C average. As of this moment, only about 10 percent who lost their benefits are back at the University of Minnesota.

I don't have any doubt that at the University of Minnesota there have been some cases of downright abuse. And I think there are ways to deal with this, and I abhor it as much as anybody. But I don't understand why we are using a meat ax when a scalpel would have sufficed. I don't understand why we are dealing with universities and colleges that are not fly by night operations, that are legitimate colleges and universities trying to meet student needs, as if somehow they are disreputable, irresponsible institutions.

You may recall that during the period, the late lamented period of the Vietnam war, one of our Army officers in Vietnam, commenting on a Vietnamese village that had to be destroyed, said, "we have to destroy the village in order to save it."

I want to raise a fundamental question whether or not in a slightly different context we are not destroying another village, that is the village of legitimate education benefits of our veterans, in order to correct some abuses that I think can be dealt with.

I think a signal is going out to our veteran students, and I have talked with them and I heard them speaking. I think I know what is going on, they are getting clear signals. They are getting signals they are second class citizens. They are getting signals that education is a lesser priority in the VA than other functions. They are getting a signal the system doesn't work.

If we all agree now in context the Vietnam War was an American tragedy, I want to know why we have to perpetuate that tragedy by discriminating against the men and women who served their country, I think well and ably under very trying circumstances. I think there is a very serious issue here. I don't know what the solution is. Possibly the solution is in the case that has come out of Wayne State University, which I think is a shocking illustration of insensitivity to a legitimate university trying to meet a need by establishing a weekend college for adult students and enrolling many veteran students. That case is in the Federal courts right now. Maybe that is the solution.

I would like to suggest, Mr. Chairman, maybe the solution lies with your committee and Congress in taking some action to correct what is becoming, I think, a national scandal. I want to repeat, the University of Minnesota, the other institutions represented here, are not schools that were established last night in order to recruit veterans and collect their benefits. That is not why we are here. We are here because we legitimately want to try to serve the needs of these students.

Mr. **Mottl**. Mr. Chairman, may I just interrupt for one moment, if I may? We are presently holding oversight hearings in the Veterans Committee. I am acting chairman of this subcommittee. We would like to invite you to testify before our subcommittee if you have any legitimate complaints about the law, I think, that was 94-502. We would welcome your testimony as to any amendments we can place in the law as to enable veterans to go to school. I think, Mr. Chairman, and Mr. Magrath, you have to understand that 2 years ago we were confronted with a scandalous overpayment of $1 billion. Therefore, it is our obligation as Congressmen here to look after the taxpayers. And approximately 5 percent of the veterans were ripping off the Government, and I think in a conspiracy, whether it was planned or not, with State universities and community colleges throughout the United States. And I think the blame was not only upon the 5 percent of the veterans along with many of the community colleges and State universities, but also the Veterans' Administration for their shabby oversight of the law as well as the Congress that had 3 years previous to that time changed the law. I think they are well intended, but changed the payments, the advanced payment, and prepayment, to be paid at the beginning of the month rather than at the end of the month. We would welcome your testimony before our subcommittee to see if we can make any constructive changes to enable veterans who are bona fide veterans attempting to secure an education, to secure one.

Mr. **Magrath**. Mr. Chairman, Representative Mottl, I would be delighted to appear. I agree with what you say. I know there was a problem. And without going into it further now, maybe we have learned, all of us, the colleges, the universities, Congress, the Veterans' Administration, I would like to believe that. I am still pessimistic about the situation. I don't want abuse any more than you do.

I am a taxpayer, as you are, as we all are. I don't want veteran students being disenfranchised. I don't see why our universities are put in a position of setting up stricter standards for veterans than we apply to other students in bona fide, legitimate institutions. I think we can deal with the problem without destroying——

Mr. **Mottl**. We would welcome your constructive testimony.

Mr. **Magrath**. I will be happy to appear.

Mr. Simon. As long as we are interrupting the witness, I have had several colleges and universities contacting me. I think the point is: We have to have a constructive alternative, that the situation we faced was an intolerable one and you have to recognize that.

And we have a situation in my district where, at one of the community colleges, we had finally received letters from faculty members who said: We have students enrolled; they are just taking advantage of the leniency of the Government.

I recognize the flaws in the present procedure but we need constructive alternatives and it is not simply a matter of repealing the present law.

Mr. Magrath. Mr. Chairman, Representative Simon, I agree with you, and I am not here to be destructive. That is not my basic tack. I think the higher education community wants to work with Congress and with the Federal agencies to deal with the problem constructively.

Part of my reaction is because I see what is happening and I think there has been a serious overreaction to deal with an admitted problem.

Mr. Ford. I would just like to make one observation since we have opened it up this way. I have the feeling that I approach this problem of the VA and some of the other Federal agencies a little differently than so far has been talked about; but the very thing you mention of a faculty member expressing that, in his opinion, a student was not playing fair with veterans' benefits bothers me.

I don't care whether it is a member of the faculty or a misguided bureaucrat at the VA, it is an entirely new concept that somebody should place value judgments on a veteran's education because it is the VA paying for the experience as distinguished from other Federal programs.

We don't require that someone keep track of whether a student getting a BEOG grant sleeps through class. What we do is make available to a student access to education. If the student abuses that opportunity, it has not heretofore been recognized as a governmental judgment to be made.

The opportunity of the veteran was earned presumably by service in the military, and there is no guarantee that any veteran who takes advantage of it is going to gain a productive place in life as a result of that education. The real danger, it seems to me, is that people are writing regulations at various levels of the Federal Government, people we are not watching very carefully who tend to begin to evaluate the educational experience of the individual receiving the benefits in some manner similar to a parent's and saying, "Well, I am no longer going to pay for this course, because you don't seem to be taking an interest in it."

I don't think, when we pass veterans' legislation or any of the other legislation, we intended that anybody, either here—or, for that matter, on a faculty—would be making that judgment. All we are doing is substituting for the rich uncle the money that is necessary for a person to go to school, and we then start treating them as an adult making some kind of a judgment on their own. The minute that we superimpose our judgment on that of the student, then we have changed the whole nature of the program.

Mr. Simon. If I could just respond briefly and, first of all, I am for the concept; in fact, I am for taking the post-World War II GI bill and applying it to everyone—veteran and nonveteran alike. I think that is eventually——

Mr. Ford. We are working on a bill like that now.

Mr. Simon. I think when we are talking about making evaluations, when you have people sign up for a course who never show up—if I may have your attention here, Mr. Chairman—if you have people sign up for a course who never show up and then you check into it and you say, "Well, this is the way of getting some income," I think we have to make evaluations. I think that is the thing we have had to stop. I think we overreacted in what we did.

But I think we had to take some action, and I think, if I may put a little blame in your area, Mr. President, I think if the field of higher education had recognized the problem and said, "Here is the way we ought to meet this problem," that pendulum would not have swung quite as far as it did. I think that is what you have to do—get the pendulum down in the middle somewhere.

Mr. Cornell. Mr. Chairman, I happen to serve on the subcommittee with Mr. Mottl and am aware of the abuses that were uncovered. Some of the regulations that were made were obviously made because of what we felt was institutional responsibility—for instance, the 85–15 rule, the 2-year rule.

I do agree that with some of the other regulations—for instance, amendment M, amendment O—we ought to place more responsibility on the student and not on the institution. I suggested this in the last oversight hearings and it might be a suggestion, Mr. President, that you could bring along ideas about how we put the responsibility on the student rather than an institution.

Mr. Magrath. May I make a brief comment, Mr. Chairman? I agree that there have been abuses and I concede—although I will not concede it for the institution that I represent and, I think, the ones that are at this table—that our institutions were involved.

But let us concede institutions are people and are imperfect. The difficulty is: Higher education covers an incredible array of institutions and, when dealing with abuses in certain institutions, we have to be very careful we are not creating another abuse.

I also do agree with Representative Cornell's comment that individual responsibility on the student and on the veteran is a legitimate thing for us to explore.

Our institutions, I have to point out, do have standards of academic progress. A student at the University of Minnesota cannot survive by being there quarter after quarter and not making satisfactory progress. We have very strict standards. You can be carried for a brief period of time because everybody can fake it no matter who you are, but you cannot at the University of Minnesota survive as a student after two quarters if you are not making academic progress.

We have a whole set of ways in which we, in effect, drop students who are not making academic progress. We cannot afford to have them there. They are just consuming space that is needed for other students.

There are ways we can work together to deal with the abuses that none of us want and not create the mess that I really think we are now in. Maybe we are all responsible. Let us get out of it; that is what I would like to say.

Mr. Chairman, I would just like to make a few more brief comments about graduate education——

Mr. QUIE. Could I interrupt before Ron leaves because we have a member of the Veterans' Affairs Committee here. I think our mistake was made when we went from the World War II type GI bill, where payment for books and tuition was made directly to the institution for the student, to where you really make the payment to the student. This lead to their whole philosophical concept of getting into the institution of higher education to "get some money."

I believe that the institutions ought to have responsibility as they had responsibility with the post-World War II GI bill. I think now you could have a combination of the two or else tie it into the other student aid programs so that the veteran automatically gets BEOG's and then some subsistence on top of it. I think you need to tie them in more to the type of civilian aid that we produce.

I just wanted to throw that at you because of what happened: I not only heard from the institution of higher education—you don't hear much from private institutions because not many go to the private institutions—but from the veterans themselves. There has been some pretty onerous regulations put on them now in an effort to get at some of the abuses that did exist. I just wanted to say that.

Mr. MOTTL. Most of the abuses did occur at the community colleges and State universities. I think if the community colleges and State universities—maybe the University of Minnesota and the universities that you gentlemen represent might be excepted—but generally speaking, if they had done a good job in policing this a little better, we may not have had the abuses that we had. But the abuses were just scandalous and we had to put an end to it. That is why we are having the oversight hearing at this time.

We would appreciate your testimony before the subcommittee because we are going to have a markup in the very near future on a bill that maybe you people can live with and, hopefully, still eliminate the 5 percent of the veterans that we are ripping off this program because 95 percent of the veterans were doing a good job and were taking this money to further their education, which was the intent of Congress. Maybe that 5 percent hurt the 95 percent of legitimate, bona fide veterans pursuing their educational programs.

If you would have heard all of the abuses that were taking place across the United States—it was scandalous, and Congress had to act and act with some dispatch in this area.

The Veterans' Administration—slated in their testimony that they were going to save at least $80 million of that this year, and on June 1—I think the prepayment is going to be paid at end of the month unless you have a legitimate excuse; so we should save substantial additional sums. We want that money to be spent prudently for the veterans and for the institutions and let the veteran get the good education.

I think we all have the same end in mind but how do we achieve it. Again I would like to invite you and the other gentlemen to testify before our subcommittee.

Mr. FORD. Ron, we will send you a note. While we are all lobbying you, it might be helpful to sort of get some different thinking at the regulation-writing level. Perhaps section 432, General Education Provisions Act, should be made applicable to veterans' benefits the same way it is to all other educational benefits.

Over a long period of time, because this is a natural phenomenon that creeps into every Federal program and every State program, we have made act after act, as it has come up for reenactment, subject to a general prohibition against control of education. In it we spell out that no provisions of the acts will be construed to authorize any department, agency officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration or personnel of any educational institution, school, or school system, or over the selection of library resources, textbooks, or other printed or published instructional materials and so on. Part of the problem that is beginning to emerge, even with programs that are covered by this provision in the law, is that regulation writers don't have this engraved on something in front of them at their desks and they don't realize when they are stepping across the line into the field that will destroy the support for Federal aid to education.

Any time we have had any kind of a bill to provide any kind of education benefits on the floor, someone has risen to "protect" the American taxpayers by suggesting that we are going to allow the teaching of the wrong things, that we are going to allow people to give free rides.

I tend to agree with Al and also with Paul; I like Paul's idea that there ought to be a peacetime veterans' program for everybody that served or didn't serve and that would be an ideal way of getting a sort of general Federal aid for higher education.

But when we were writing the so-called cold war bill, one of the problems was that there were too many of us in the Congress who had had our own education experience as a result of Public Law 346 and Public Law 16. Everybody assumed they knew what it was about. A very dramatic change took place and we didn't even notice it. At least I didn't.

I don't have any recollection of hearing an outcry from the education community calling attention to the fact we were changing the whole nature of veterans' benefits from direct educationally connected benefits to personal compensation.

As Al said, the nature of the program now suggests that what you really are qualifying for is some pocket money when you go to school. The post-World War II program had the payment of subsistence payments at a very nominal level and, as a secondary thing, there was no way you could even stay in cigarettes and beer on the basis of what they gave. So there was no real incentive to put up with school just to get that kind of compensation.

On the other hand, now there is some incentive in the present system to add a little extra money to a regular income and it is one of the problems that has been raised with programs. I think as strongly as I supported that program, we would find people who would not be in the program but for the fact it helps them make the payment on the camper or whatever else they are buying while they are working and going to school.

We are really in a dilemma now that is not something that is recent. We just did not foresee a few years ago, when we changed the directions, that we were going down this very dangerous road. And I don't think anyone is suggesting that we have to simply back off and say that veterans or any other beneficiary of a Federal program have a right to the program without any responsibility on their part.

But we are not at all sure any longer about where the responsibility for fiscal integrity lies. It was far easier under the old system to hold the institutions responsible. Of course, we all know that they are responsible. I can remember paying nonresident tuition in my own State because that was a way you allowed the public institutions to get even with the private institutions for the amount of tuition that was being charged.

It was kind of a rip-off in a sense but it provided much needed money to anticipate the big growth of the universities afterwards and everybody knew it was happening. But I don't recall hearing any great screams of outrage against this.

Maybe the new plan prevents that sort of thing. The difference was, instead of having the money spent all over, it did provide this extra income for the institutions—the money they needed to expand for the nonveteran student who began coming in, in very large numbers, shortly after the GI bill hit the campus.

There isn't anything unique in the kind of temptation they have offered at the Veterans Administration to do these things. The Office of Education is full of people who do it, too, if you don't watch them all the time. All we are trying to do is see whether or not we can get their attention by watching them.

Mr. HARDIN. One point before Mr. Mottl leaves: The one thing that has not been said is that one difference between the post-World War II GI bill and the present program is that the independent, or privately funded, institutions did have a good influx of veterans. We don't have any veterans, as Mr. Quie has pointed out, under the present program virtually, and that is because, the way the present program is set up, the veteran is driven to take the least expensive institutions, and the post-World War II program was far sounder, educationally, and certainly distributed the veterans over the range of institutions better than we now experience.

Mr. MOTTL. Because the money was paid directly to the institution at that time.

Mr. HARDIN. Yes.

Mr. MOTTL. That is really a good point. I think we will explore that.

Mr. QUIE. I sure hope we do. I have always been foreclosed from doing anything about it on the floor because it comes under suspension. We can't offer any amendments. It bothered me for years. I am glad to hear you say that.

Mr. FORD. That suspension is to try to keep Bob Cornell from getting his amendment on.

Mr. CORNELL. I think that is a sad commentary about the sense of responsibility of the people who are the veterans who are benefiting on the program. I mentioned here before about putting more of the responsibility on the veteran. You are trying to take that away by a program such as you are suggesting. I wasn't here but I suspect that when the change was made from World War II to the present program—that was in mind—to give more responsibility.

Mr. QUIE. I think it was trying to get by those fly-by-night operations. They have pretty much cleaned them up. It really offends me to see veterans really being driven, for financial reasons, to community colleges. I have nothing against the community colleges. But some of those individuals really ought to have a choice of other institutions.

Many of them go to community colleges for 2 years, rather than go to the University of Minnesota, because it costs less there and that really bothers me, that we push them, with the use of Federal money, to the community colleges. I think many of them ought to go to private institutions.

Mr. Ford. About 1966 and 1967—when was it—the so-called cold war GI bill—about 1967——

Mr. Mottl. We will explore that.

Mr. Magrath. Mr. Chairman——

Mr. Ford. I think, if my memory serves me correctly, at that time we encountered in the House 220 or 230 Members who had used the GI bill, so it went sailing through without an awful lot of consideration. If we had been writing it in 1968, after the students got organized, we probably would have done a better job.

Mr. Magrath. Mr. Chairman, I am glad I raised an interesting topic, having talked about the injustices affecting 95 percent of our hard-working veterans.

I would like to shift gears for a few minutes and make a couple of other observations. I represent a university that is a major research university and a university very much involved in graduate education. That is a very long and a heavy topic and I am not going to go into it in detail now.

You know as well as I do there are certain things in the atmosphere today such as: We have too many Ph. D.'s who can't find jobs and they are all supposedly driving taxicabs and washing dishes. Those are honorable positions.. I would submit that Ph. D. unemployment is a vastly overrated problem. People say graduate education is too expensive, that they can't afford it.

I don't agree with that. Graduate education is an investment. Even if we concede that 90 percent does not pay off, the 10 percent that does—and I think we can document this—brings back, in terms of scientific findings and in terms of benefits to our society, far more than the total bill that we invest.

It is also said that we need more problem-solving research, more applied research and less fancy and esoteric, basic research. We need problem-solving research desperately. Energy is one of many issues we might cite. But we cannot solve the problems in an applied fashion if we do not make investments in basic research.

In the Midwestern part of the United States and in the Far West, we have serious water problems, as many of us know. There is an enormous interest in irrigation. There is a lot of applied research being done at universities and by State agencies trying to deal with irrigation. That is important We cannot deal adequately with the irrigation situation if we do not understand the basic structure of underground water and of geology.

We have to be very careful. I am not an expert in this area, but I think I understand enough to know that unless we know enough of what we are doing, basic research and geology, we can build ourselves into even worse problems as we try to come up with adequate water for our food, and needs, and the like.

Another illustration where basic research is essential is that we would have been far better off if we had invested a few years ago in solar energy. At the University of Minnesota, we have one of the world's leading authorities in solar energy. During the late fifties and in the sixties he was lucky to get $2,000 to $3,000 a year grants. He is pulling in grants of $200,000 to $300,000 and using that money wisely. I wish he had been getting $20,000 to $30,000 a year in the fifties and sixties. At that time, we though we had oil and didn't worry much about energy.

That is basically research that pays off in terms of applied results that is absolutely essential for use as a society and in terms of our commitments to the entire world.

Mr. Chairman, the subject of graduate students and graduate education is one I don't believe the Congress and this committee have examined for quite a period of time. And there are lots of issues and there has been a lot of things said in recent years. I would just like to suggest that you might want to give some consideration to scheduling some hearings and some dialog on the subject of graduate education as it affects our Nation's universities.

It is a national issue and it is one that has not been addressed by Congress in a systematic fashion for quite a period of time, and I would like to submit that this is one that is extremely important; perhaps it is all the more important because a lot of people aren't talking about it.

The same applies on the basic research needs—not of our universities; I don't care about the research needs of our universities; I am interested in the research needs that we as a society need; and that is, if money is not invested now, it is going to cost us a lot more down the road.

One final comment: There was some interesting dialog among you and members of your subcommittee on expanding educational opportunities in terms of, let us say, peacetime veterans. That raises a major issue that as a society we have not confronted. And that is the question that goes this way:

Basically, regardless of whether it is an independent college or public university, we subsidize education for the traditional student and for the younger student, let us say the 18- to 24-year old. We provide subsidy. We talk an enormous amount about opening up educational opportunities for trade union workers, for people in midcareer, for housewives, for adults in all kinds of situations who want to improve themselves, or develop a new career, or move on, for people who never had a chance to go to college. And we talk about continuing education, the adult student issue, and we tell ourselves that is really going to expand fantastically.

I am not convinced it will expand unless we act—this is a major national issue. Are we prepared? Should we be prepared—I raise it as a question—to make the same commitment in terms of financial support and relative subsidy for the older student, and I will define that as anybody over the age of 24. Are we prepared to make the same national commitment for education for people in those age categories, over the age of 24, that more or less we have made for the younger student?

Again, I just would like to suggest that that is a very major national issue that might be an appropriate subject for your subcommittee to look into.

Mr. Chairman, that completes my remarks. I think my colleagues have comments to make. We will be delighted to answer questions.

Mr. Quie. Let me make one comment. As far as the subsidy that either the independent college provides itself through endowments, or the State provides for public institutions, everybody over 24 receives that. It is just the other subsistence and tuition that you are talking about we need to look at?

Mr. Magrath. Yes; that is correct.

Mr. Quie. Insofar as many of our people in this age category are part-time students and there are ambiguities about the applicability of financial aid programs. That will be dealt with.

Mr. Ford. Mr. Hardin.

[Statement of Paul Hardin follows:]

Statement to the Subcommittee on Postsecondary Education, Committee on Education and Labor, United States House of Representatives, June 1, 1977; submitted by Paul Hardin, President, Drew University.

My name is Paul Hardin. I am now serving as president of Drew University in Madison, New Jersey, a small, academically selective independent university, historically related to the United Methodist Church. Drew's present enrollment, considered to be appropriate for the foreseeable future, is 2,000 students in all programs, from B.A. to Ph. D. (Drew has never been larger than that.

Before assuming my position at Drew, I practiced law, taught law at Duke University, and served as president of two other independent institutions: Wofford College in Spartanburg, South Carolina, and Southern Methodist University in Dallas, Texas. That legal background and my administrative experience in three widely separated geographic areas of the United States cause me to be keenly interested in state and federal legislation relating to postsecondary education. It is an honor to appear before you today.

I have read the background statement submitted today to this Subcommittee by the several educational associations. I support it. I would like to hold up quickly for your attention four points of emphasis.

The first point has to do with terminology, and I find myself wishing I could have had a timely word with the able people who drafted that comprehensive statement. The statement refers repeatedly to the "public" and "private" sectors of postsecondary education. This is customary and, therefore, convenient terminology, but the term "private" carries an invidious and inaccurate connotation of economic elitism. Education is a public affair. All the institutions represented here educate the public; there is no one else to educate. Some of our institutions are publicly controlled and funded; others, like my own, are independently controlled and, predominantly, privately funded. I personally hope that the Subcommittee will become used to referring to the "state" (or "public") and "independent" sectors and help us reduce references to private higher education - a phrase so easily misunderstood.

The background statement very commendably demonstrates near the bottom of page two that the publicly funded and independent sectors enroll approximately the same proportion of low, middle, and high income students; so its authors obviously intended no negative connotation by using the term "private". I hope the Subcommittee will read carefully that last full paragraph on page two.

The second emphasis I would make is that campus-based federal student assistance programs seem to be reaching into lower-middle-income families and need to be retained. In academic year 1976-77, 70% of the dependent undergraduate students who received BEOG, SEOG, CWS, and NDSL awards came from families earning less than $12,000 per year; 30% (410,000 students) came from families earning more than $12,000. Of the latter group only 38% received a BEOG (alone or with another form of aid); 62% received only campus-based assistance. We honor the BEOG program; one must not assume, however, that campus-based programs could be phased out without drastic effects on the family finances of our largest group of taxpayers and on the education of their children.

My third point is that the Congress needs to continue to watch very closely the total mix of state and federal programs. Most states offer non-need-based subsidies only for students electing to attend publicly funded institutions. I hope that federal programs will always be sensitive to the fact that the unfunded access costs of students attending independent institutions are usually much larger than those of students attending state institutions - despite the fact that most independent institutions put tuition dollars directly into financial aid in order to help bridge the gap. For example, my own small institution administers approximately $750,000 of state and federal financial aid programs and puts another $750,000 of general university funds into financial aid. Every time we increase our college tuition by $100, we put $20 of that into new financial aid. In our graduate school we put $50 of every $100 tuition increase into aid. Our socio-economic student mix is almost identical to that of our fine State University, but we achieve that by providing aid to nearly 40% of our students while charg- the rest five times as much tuition as Rutgers charges.

My final point, not emphasized in the background statement, relates only indirectly to financial aid. As our institutions have had to put more and more unrestricted funds into financial aid and have experienced other budgetary pressures, they have had to defer maintenance of facilities. At the same time we have had imposed upon us by circumstances the need to make our buildings more energy-efficient, to provide expanded recreational and athletic facilities for women students, and to make our physical plants safer under OSHA standards and more hospitable to physically handicapped persons. We can probably raise money from non-governmental sources to expand facilities, but it is hard to raise capital funds to renovate existing buildings, and it is not feasible to pass those potentially crushing costs to our students by tuition increases. (We are behind on faculty and staff salaries too!) I hope that this Subcommittee will investigate the need for new legislation to enable the government to help all educational institutions upgrade and arrest the deterioration of physical facilities.

Thank you very much.

STATEMENT OF PAUL HARDIN, PRESIDENT, DREW UNIVERSITY, MADISON, N.J.

Mr. HARDIN. My name is Paul Hardin, president of Drew University in Madison, N.J. Drew is a small, academically selective, but ethnically and economically diverse, independent university historically related to the United Methodist Church.

Drew has only 2,000 students in all degree programs from B.A. through Ph. D. That is our maximum enrollment and appropriate, we feel, for the foreseeable future.

Before I became president of Drew, I practiced law, taught law at Duke University and served as president of two other independent institutions—Wofford College in South Carolina and Southern Methodist in Texas. I say this since somebody may have observed that mine is not a New Jersey accent. A more important reason for giving my background in teaching and administration is my experience in the independent sector of higher education.

That background and my legal background make me very much interested in State and Federal legislation and court decisions affecting higher education. It is a great honor for me to be before you today.

The four of us at this table represent diverse backgrounds to some extent and special interests. But we all agree on the importance of a comprehensive Federal program supporting postsecondary education. Therefore, we all join in expressing deep appreciation to this subcommittee for what you have already done and what you have already led the Congress to do for education.

We support your conviction that postsecondary education must be a high priority of our national government. We thank you for your effective advocacy in support of this vital enterprise.

The background statement which has been entered into the record we have all read; I support it. That statement, plus Mr. Magrath's testimony, enable me to make what I have to say very short.

I would like to emphasize briefly three or four points. The first one is merely a matter of terminology but it is not unimportant to those of us who labor in the independent sector. It makes me wish I had been able to say a timely word to the very able persons who drafted the background statement. That paper uses the dichotomy "public-private," which is traditional in our business and, therefore, is convenient. But, the term "private," as we have noted, has come to have in some quarters certain invidious and inaccurate connotations of economic elitism.

The National Association of Independent Colleges and Universities, which in some way I represent today, as well as our member institutions are trying to train an entire public to talk about "publicly funded" and "independent" institutions rather than "public" and "private." It seems perhaps to some people a major consideration.

As our excellent background statement makes clear, the socioeconomic profile, that is the proportion of students that our institutions serve in the lower-, middle- and upper-income brackets, is almost the same in the State-supported sector and the independent sector. So I hope you will understand and be sympathetic to our efforts in the privately funded institutions to get away from a connotation of elitism.

We are expending vast sums from our own institutional resources to keep our student bodies economically diverse, and we are trying to combat the "elite" connotation.

I do hope that the committee will read carefully the last full paragraph on page 2 of the statement which has been filed on behalf of all of the associations here.

The second point that I would like to underscore is the background statement's advocacy of balanced Federal assistance. There are two headings under which I would like to talk about balanced Federal assistance. Some references on that background statement that might be helpful to the committee later on are pages 3, 4, and 10 of that background statement. But, the first emphasis I would like to make is under the title of "Balanced Federal Assistance."

The campus-based programs have a flexibility to reach and do reach into lower- and middle-income families that are not helped by the BEOG program. In academic year 1976-77, 70 percent of the independent undergraduate students who received BEOG, SEOG, CWS, and NDSL awards came from families earning less than $12,000 per year; 30 percent came from families earning more than $12,000.

Of the latter group, families earning more than $12,000—and that is a small family income when there are several siblings in college—only 70 percent received BEOG either in loan or other combination of aid; 62 percent received only campus-based assistance.

The reason for emphasizing this is that people frequently talk about folding all of the programs into the BEOG program. We applaud the BEOG program; we honor it. I simply say to this committee: One must not assume that campus-based programs could be phased out without drastic effect on the family finances of our largest group of taxpayers and on the education of their children.

The second point I would like to make under the subheading of "Balance in Federal Assistance" is that Congress has the opportunity to watch very closely the total mix of State and Federal student assistance programs. Most States offer non-need-based subsidies for only students elected to attend publicly funded institutions. I hope Federal programs will always be sensitive to the fact that the unfunded access costs to students attending independent institutions are usually much larger than to those students attending State institutions. And, for that matter, the unfunded access costs to students attending certain kinds of public institutions are greater than to those attending other kinds of public institutions.

The point I am making, and this is all I am trying to say, is that I applaud those Federal programs that do take into account the need of the student based on his or her actual access cost to an institution of his or her choice. I am somewhat critical of programs that do not take this into account. This is exactly the problem with the present version of the GI bill in that it does not take into account the difference in unfunded access costs of students to the different kinds of institutions.

Let me bring this home to you by one example from my own small institution in my own State of New Jersey. We are a small school.

but we administer approximately $750,000 in State and Federal financial aid programs. To this we add another $750,000 out of our own resources, some of which is endowment income, but a great deal of this comes straight out of tuition into financial aid, to help needy students with their unfunded access costs. Every time we increase our college tuition by $100, and it is never less than that annually these days, we put $20 of that new tuition income into new financial aid. When we increase our graduate school tuition by $100, we put $50 of that $100 into financial aid.

Thus, we achieve a socioeconomic mix at Drew that is almost identical to the socioeconomic mix at Rutgers, our great State university in New Jersey. We do that by providing aid to nearly 35 percent of our students by charging the rest five times the tuition that our State university charges.

My final point, which is not emphasized in the background statement, relates only indirectly to financial aid, but it certainly relates to the broader concerns of this subcommittee. That is, what I think can only be described as an impending crisis, a capital funds crisis, in postsecondary educational institutions, an impending capital funds crisis. Now what brings this about? First, as our institutions have had to put more and more unrestricted funds into financial aid and have experienced other budgetary pressures, inflation, and all the rest, many have had to defer maintenance of facilities. At the same time, we have had imposed upon us by circumstances the need to make our buildings more energy efficient. Also, we have had imposed upon us by social principles, which we certainly applaud, the need to provide expanded recreational and athletic facilities for women students, to make our physical plant safer under OSHA standards and more hospitable to physically handicapped persons. We applaud these social principles, as Mr. Magrath has said, but all of this has put an incredible capital burden upon us. My colleague has already referred to the administrative burden, the reporting, the cost of just simply the paperwork. But we face the need of extending a couple of million dollars in small institutions, tens of millions of dollars in larger institutions for physical facilities. We continue to be able to raise funds for new construction. Those of us who are lucky enough or foolish enough to be expanding our physical plant can probably find private support for new facilities. It is much more difficult to find private support to renovate existing facilities. We already have, by the efforts of this committee and this Congress, legislative authorization for appropriations to help in the renovation of old facilities to make them more energy efficient, to make them safer under OSHA standards, to make them hospitable for handicapped persons. I hope this committee will continue to watch that area with great interest and that you Members of the Congress will work very hard to see appropriations are available for these worthy purposes. I think this is one of the great crises we will be facing in the next few years.

Thank you very much, Mr. Chairman.

Mr. **Ford.** Thank you. I would like to tell you the last comment is very timely because we have been engaged in serious negotiations with our colleagues on the Appropriations Committee over the trigger language which they find offensive in our act and particularly title

VII(c) with the loan construction, reconstruction, and renovation. To my surprise we discovered that for whatever reason, it is exceedingly difficult for members of that committee who heretofore have been quite generous for additional funds for education to support that type of funding. So we obviously have some work to be done to persuade other Members of both the House and Senate, as you were able to persuade Members in 1975 and 1976 during the consideration of the higher education amendments of 1976 that this was, in fact, needed.

It is not new to have people with grave doubts about getting into construction funds as such. There are traditional hackles that are raised when you talk about construction that arise out of the strong feelings that people have when the word "private" is used, for example. In the past, we have been bogged down with that kind of argument. I don't hear that here now, but I hear just the fact that, given the quest for scarce dollars, there is a belief that you are more likely to find this kind of dollar while having a gun pointed at your head than the other dollars. So we want to use the money for student assistance instead.

There is a substantial bipartisan effort going on to try to get some of this money, but that is compounded now with what the Senate did with the appropriation bill it will have to come out of. It looks like there is going to be a three way fight between our own committees and the White House as well, and the Office of Management and Budget.

I don't want Al Quie to break out into outrageous laughter over this, but some of us thought changing things last November was going to open the money spigot, and we have found it hasn't happened.

Mr. Lyons.

[Statements of Charles A. Lyons follow:]

American Association of State Colleges and Universities · One Dupont Circle/Suite 700/Washington, D.C. 20036/202-293-7070

Statement by
Chancellor Charles A. Lyons, Jr.
on behalf of the
American Association of State Colleges and Universities
before the
House Subcommittee on Higher and Continuing Education
June 1, 1977

INTRODUCTION

I appreciate this opportunity to appear on behalf of the American Association of State Colleges and Universities (AASCU), to speak on general problems affecting USOE student aid programs, the G.I. Bill, and the Social Security student beneficiary program. My views do not generally differ from those offered by other association witnesses appearing today, but I do wish to mention certain concerns which particularly affect public colleges, and also colleges which are historically black or serve large numbers of low-income and minority students.

I. USOE Student Aid Programs.

We share the concern of everyone in higher education that available federal student aid is far below need. We also share the concern that the administration has recommended elimination of new funding for the National Direct Student Loan program. There are far too many low-income and disadvantaged students (as well as some middle-income students) who are very dependent on NDSL loans. Most do not have access to the more expensive Guaranteed Student Loan program, in part because banks are unwilling to lend to them.

1. A substantial part of SSA benefits go to lower-income families.

2. For many families, they are considered an essential part of family income. Taking them away would hurt the families, as well as keeping some young people from attending college.

3. SSA and BEOG are not interchangeable. Because of the funding formulas in the two programs, a loss in SSA would not necessarily be made up by an equivalent gain in BEOG.

4. To the extent that BEOG and other student aid programs did replace a loss in SSA, the result would be a greater demand on these programs. This would reduce the alleged federal "saving" in cutting SSA and add to the demand for other student aid, or simply result in less student aid available for everyone.

5. SSA is an earned benefit, based on contributions. It is a benefit like other Social Security benefits, which helps provide for the children of deceased, retired, or disabled beneficiaries.

* * * * * *

III. The G.I. Bill.

A witness representing AASCU has already appeared before the House Committee on Veterans Affairs, and another will appear next month before the Senate Committee. AASCU shares the concern of all colleges that some of the G.I. Bill amendments of 1976, as well as some of the new regulations, represent federal intrusion into postsecondary education, and place an impossible burden on colleges in terms of reporting and red tape.

We particularly favor the following changes:

1. Statutory action to end the "85-15" rule.

2. Statutory action to end the two-year rule.

3. Either administrative or statutory action to end the onerous and expensive reporting requirements of Appendix O, the new "satisfactory progress" regulation. We feel that Appendix O is not required by law, and that the institution's own published standards of satisfactory progress should be acceptable. If the VA itself will not change this regulation, statutory action may be needed.

4. Either administrative of statutory action to change the "contact hours" regulation of February 9, 1977, which allows the VA to decide the number of contact or classroom hours a veteran must attend to obtain full-time benefits. We feel that there is no basis in law for this regulation--now the subject of a major lawsuit at Wayne State University--and that if the VA will not drop it, statutory action may be necessary.

5. We would also like a better regularized working relationship between the VA and the associations. There has been only one general meeting between VA officials and the associations since the new law passed last October. Efforts to arrange additional meetings, especially with the new VA administrator, have been unsuccessful. We believe that regular meetings, such as are held by USOE, would help both the VA and the colleges avoid such unnecessary conflict and litigation, and enable both to do a better job of helping the veteran.

IV. Student Aid and Tuition.

We feel a growing concern that an emphasis on student aid alone, without attention to institutional needs and costs, can encourage some colleges as well as state governments to raise tuition--making more students dependent on student aid, and hurting many students who do not and will not receive enough aid.

We have always opposed an over-emphasis on loans, especially expensive long-term loans and "student loan bank" plans, because of a belief that such plans could lead to higher tuition.

Public colleges in particular, but private colleges as well, need institutional support as well as student aid--to hold down tuition and keep access and choice open. We have suggested for years that the federal government fund the cost-of-education program, as one way to help institutions keep down tuition. Funding other institutional aid programs, or providing aid to colleges in meeting energy renovation costs, new regulations for the handicapped, student aid information, and other services--often federally mandated services--would also help colleges hold down tuition.

* * * * * *

V. The Needs of Public Colleges.

While we are concerned with all of higher education, we feel that the needs of the public sector receive less attention than should be the case from the federal government, state study commissions, and non-governmental groups. The public sector educates about 80 percent of all students in higher education, including a great many from lower-income and middle-income groups.

A study now under way at AASCU shows that many public colleges are in trouble. In a number of states, state support of public colleges, in constant dollars per student, is falling. This in turn often means larger classes, less individual attention, and less adequate programs.

Access to all higher education is declining. Enrollments as a percentage of the college-age population attending any college are falling nationwide, and have fallen in most years since 1969. This is especially true for families with incomes below $15,000--the poor and middle-income--though it is also true for families with incomes over $15,000.

At the same time, tuition and student charges are rising in the public as well as the private sector. We believe this is a major reason for falling enrollment.

As Congress considers the next steps in student aid as well as institutional aid, we hope that it will keep in mind the problems of the public as well as the private sector.

Committee on Education and Labor

Subcommittee on Postsecondary Education

United States House of Representatives

William D. Ford
(D. Mich.)
Chairman

Student Financial Assistance Program

Statement presented on behalf of the

National Association for Equal Opportunity in Higher Education

Dr. Charles A. Lyons, Jr.
President of NAFEO and
Chancellor of the Fayetteville
State University

June 1, 1977

The National Association for Equal Opportunity in Higher Education represents the historically black colleges and universities of our nation. There are 107 institutions located in fifteen southern states, four northern states and the District of Columbia enrolling more than 200,000 students. These schools graduate upwards of a third of a million students with baccalaureate, graduate and professional degrees. Since 1966 they have graduated more than a quarter of a million students with undergraduate, graduate and professional degrees.

Federal support continues to be vital to the future of these institutions. These institutions continue to need financial support for students, faculty, staff, facilities, equipment and general institutional support. Thus, the Federal Government must continue to provide increased support for these institutions. It will take a continuing effort by the public sector to fulfill a true commitment to equal educational opportunity in higher education. Student Financial Assistance continues to be one of our top priorities.

The following areas are worthy of ongoing support:

Student Financial Assistance

The great majority of students attending historically black colleges today continue to come from low socio-economic backgrounds. Consequently, continued financial assistance is not only necessary but imperative. Increased funds should be made available at the undergraduate, graduate and professional levels, without which enrollment, even in these lower cost public and private colleges, will decline and the gap will continue to widen between educated blacks and whites of this nation.

Needless to say, the low income of the students served by these colleges places an additional burden on the colleges as well as the students served. For one thing, it limits the number of students that can be enrolled. Many students don't apply because they don't have the money. Every year thousands are turned away and others are forced to drop-out because of a lack of funds.

In view of the above facts, we strongly urge that the existing student assistance programs be continued and funded at very high levels to insure that any student who wants a college education will not be denied this opportunity. Maximum resources in these programs are the answer to opportunity, success and achievement for students who attend these institutions. This support is necessary to the continuation of equal educational opportunity with achievement.

In view of the way in which the packaging of resources impacts these institutions, we believe that for some time to come it will be necessary to have support from BEOG Grants, SEOG Grants, College Work Study, Direct Student Loans and Guaranteed Students Loans. The rising cost of providing education coupled with the factor of great need as represented by large numbers of students and the dependence of those institutions on funds derived from student assistance make this an imperative.

Basic Educational Opportunity Grants Program

Basic Educational Opportunity Grants must be fully funded to be effective. This program presupposes that there will be other Student Financial Aid Programs to enable this concept to become one of real opportunity for all students. The up to one half cost limitations presupposes that the other half plus would come from someplace else. Since students would only receive up to half of the cost to attend an institution it would be very necessary that they have available other types of support.

The Education Amendments of 1976 increased the grant to $1800. The minimum legal levels of funding in the college based programs that were set forth in the Education Amendments of 1976 will not be adequate to offset the expanded pool of eligibles which includes fulltime, halftime, and proprietary students in the Basic Educational Opportunity Grants Program as well as allows for the fulltime and halftime graduate students participating in the Work Study and Direct Student Loan Programs because of the lack of graduate funds.

Under full funding, a Basic Grant would be the basic amount for other student aid programs. Without this program at a fully funded level the amount of other aid program support need increases in proportion to the deficit in the Basic Educational Opportunity Program.

Since the thrust of the student aid program is to serve the needy, the Basic Educational Opportunity Grants Program would hopefully take care of students from low-income families. Without this thrust all need may end up being middle income and other rather than inclusive of the lower-income student.

The impact of the changes in the program for 76-77 will continue to greatly impact the utilization potential of this program. Since all eligible undergraduate students may receive Basic Grant Assistance, the possibilities inherent in the removal of the April 1, 1973 restriction; the inclusion of four years of full-time and part-time students, and changes in the approved 76-

77 Family Contribution Schedule have increased eligible populations through: an increase in the asset reserve, a special asset reserve for farmers and small businessmen, and an increase in the family size offset as well as the number of schools eligible for the program. This could be added to the unexpected levels of activity that are inherent in this program.

This broadening of the parameters of participation in terms of individuals and institutions both horizontally, vertically, and longitudinally will require increased resources for the future.

Supplemental Educational Opportunity Grants Program

The Supplemental Educational Opportunity Grants are needed to provide supplemental assistance to students. With the concept of need that exists, these grants are utilized by the students from various socio-economic levels.

The S.E.O. Grants allow students to have resources to attend private institutions, minimize the debts that would be entailed in attending high cost institutions, keep the diversity of academic institutions available to students, and allow the need flexibility in financial aid packaging. This is important for private black colleges which are unique in the high proportion of low income students they educate.

This program will help to upgrade grant-wise the deficit in the Basic EOG Program and/or impact the need of other students. Halftime students are eligible for student assistance.

The Supplemental Educational Opportunity Grants take the student beyond the minimum Basic Grant and give flexibility to the packaging process. With an expanded pool of BEOG awardees and the overall crunch on financial aid, this scarce pool of resources is inadequate.

College Work Study

The College Work Study Program allows students to participate in paying for education. The College Work Study Program aids the students as well as the institution by providing them with a source of manpower. This program is needed to enhance the ability of institutions to package creative and resourceful work opportunities for students.

This program considers the halftime students both undergraduate and graduate as well as fulltime graduate students. With the cut in funds for graduate education, this program will be heavily tapped as a logical source of funds by graduate students.

With the changing of the College Work Study Program to a concept of need rather than priority to "low-income students," this program now is helpful, but does not have the impact that it previously had for the institutions. Without increased funding in this program, there will not be adequate resources to meet the needs of an expanded pool of students.

National Direct Student Loan Programs

The National Direct Student Loan Program continues to be necessary for many of our students because of the difficult time that many of them have in trying to secure loans in the private market. These low-interest loans are made by the institutions. They must be continued because numbers of low-income students must be encouraged to continue their preparation beyond college. Many banks refuse to loan to freshmen, sophomores and to low-income students.

The National Direct Student Loan Program is protection for the availability of loans to minorities and low-income populations.

This program should be continued at a very high level to enhance the packaging of student assistance.

This program also includes graduate students among its eligibles. Again, the funding crises in graduate education impacts this situation.

Until the commitment to finance loans for minorities and other disadvantaged groups filters down to the lending institutions, there is going to continue to be a need for the National Direct Student Loan Program. As an institutional based program it provides a reasonable guarantee that some loan resources will be available to students.

Those who advocate the ceassation of this program fail to wrestle with the above facts.

Guaranteed Student Loans

Though loans are not the best way of financing the education of students from low-income backgrounds, it is important that in the money crunch that confronts us that every possible means should be taken to guarantee that these Guaranteed Student Loans will be made available on equal terms to all that apply for them.

State Scholarship Incentive Grants

State Scholarship Incentive Grants should be funded at a higher level with a National Policy of Equal Educational Opportunity with attainment and productivity as its focal point and larger grants going to states which so focus their programs.

This program should anable states to facilitate either the development of new state grants of the expansion of existing programs so as to increase the range of opportunities available to students for access to postsecondary institutions.

All states should be encouraged to participate in this program in order that no student in any state will be deprived of funds that come from such a program.

Enrollment ceilings within states and within institutions should not be permitted to undercut Federal policies which propose to further the expansion of educational opportunities. Federal policies are undercut by state policies in that resources are available from the Federal level of support but the spaces are limited because of state policies.

Out-of-state enrollment ceilings, along with exhorbitant costs, seek to lock in and lock out thousands of students who must elect alternate forms of educational opportunity if they are to participate at all.

Administrative Allowances

The institutional administrative allowances as set forth in the Education Amendments of 1976 should be provided in order to underwrite some of the cost of handling the Student Assistance Programs. Funds should be available for BEOG and GSL Programs.

Cost of Education Allowances

Cost of Education Allowances are still needed to compliment the Student Assistance Programs that have been funded by the Federal Government. Student assistance does not pay for the total cost of a student's education. This figure varies in the public and private sectors.

Without this type of available resources many institutions that are doing the Yeoman part of the work of providing equal educational opportunity with achievement are disproportionately underfunded. While the major institutions have the indirect cost from research and other efforts, the return on their endowments and their magnanimous contributions, their institutions limp along on the bare minimum.

Cost of education funding tied to student financial assistance will have the effect of providing needed additional assistance to these institutions.

Cost of education allowances should be provided in keeping with the thrusts of the Education Amendments of 1972.

These funds should be distributed to those institutions which serve those students who are the recipients of federal student assistance funding, particularly those serving large populations of disadvantaged, low income and minorities.

Special Programs for the Disadvantaged

The special programs for the disadvantaged known as Upward Bound, Talent Search, Special Student Services and the Educational Opportunity Centers have been very helpful to disadvantaged students of this nation. Such programs will continue to identify students and give them encouragement and information, motivate students to attend colleges and provide special remedial and other services for enrolled college students. With the increased concentration of disadvantaged persons in the large metropolitan centers of our country and the corresponding decline in the quality of education provided for these persons, there will continue to exist a need for these programs.

These programs have been helpful to black and disadvantaged students, and need to be continued and funded at a much higher level to provide hope out of despair for thousands of our students.

In view of the consistent level of funding over the past few years and an increase in the number of persons who need these services, this program should be greatly expanded in order to provide for thousands of the nation's youth.

Graduate and Professional Student Financial Assistance

At the graduate level there is the need to provide financial resources to ensure that blacks continue to participate in these programs. There is no oversupply of trained blacks coming from the graduate and professional schools. There is a great need to ensure that the future will have the representative participation. Student financial aid resources should be targeted in the interest of alleviating this problem.

The emphasis or the declining role of science at institutions should not be used as a detraction from the reality that there is an ongoing need to prepare more blacks in the various science areas.

At the professional level, there is the threat of the omission signs of the DeFunis, Bakke syndrome which have the potential of blotting out any future attempts of representative participation by blacks in medicine, dentistry, law and other critical areas.

Recent reports that law is an over crowded field do not pertain to black Americans. They are still underrepresented in all areas.

Unless the Federal Government makes graduate and professional student assistance a priority, black Americans will be priced out at the academic future at these levels.

CONCLUSION

Student financial assistance continues to be very vital to the continuation of the notion of equal educational opportunity and attainment as well as to the continued existence of many institutions of higher education serving large populations of low-income and needy students. Such institutions depend very greatly upon Federal student assistance programs for sizeable amounts of support.

If equal educational opportunity and attainment is to be a reality, one can see the necessity of looking closely at the deliberations in the area of student financial assistance because of the consequences that will occur if policy deliberations are not inclusive of this major concern.

A tiered approach to student financial assistance is necessary to allow the students real options to go with initial access that a program of the Basic Educational Opportunity Grants type will afford many students. A mix of grants, work, loans, cooperative education types should make up this approach. A necessary condition is that all funds in these respective programs be increased to accommodate the expanded enrollments to that no students will be turned away and turned off because of lack of the availability of financial options for the educational experience.

ACE/UCLA COOPERATIVE INSTITUTIONAL RESEARCH PROGRAM
FALL 1976
WEIGHTED NATIONAL NORMS FOR ALL FRESHMEN

	All Institutions	All 2-Year Colleges	All 4-Year Colleges	All Universities	Predominantly Black Colleges	2-Year Colleges		4-Year Colleges				Universities		Predominantly Black Colleges	
						Public	Private	Public	Private Nonsect.	Protestant	Catholic	Public	Private	Public	Private
Estimated Parental Income															
Less than $3,000	3.9	5.2	3.6	1.9	17.0	5.2	4.0	4.3	2.5	3.1	2.0	1.9	1.9	20.1	10.3
$3,000 - $3,999	2.4	3.1	2.3	1.3	10.4	3.0	3.5	2.0	1.5	2.1	2.1	1.3	1.2	11.0	7.2
$4,000 - $5,999	4.4	5.5	4.3	2.5	13.3	5.5	4.1	5.0	3.2	3.7	3.7	2.6	2.3	14.6	10.5
$6,000 - $7,999	4.8	5.7	4.9	3.1	11.9	5.7	4.3	5.2	4.2	4.5	4.2	3.2	2.9	12.7	10.2
$8,000 - $9,999	6.1	7.3	5.7	4.2	9.6	7.2	7.7	6.1	4.5	6.0	5.2	4.3	3.8	9.6	9.4
$10,000 - $12,499	11.1	12.0	10.5	8.6	10.7	12.0	13.3	10.4	9.3	11.4	10.6	9.0	7.2	10.1	11.9
$12,500 - $14,999	12.2	13.5	11.8	10.3	7.3	13.6	12.9	12.4	10.2	11.9	11.4	10.8	8.4	6.8	8.6
$15,000 - $19,999	17.2	17.3	17.1	17.2	7.4	17.4	16.6	17.1	16.6	16.7	16.4	17.9	14.5	6.2	10.2
$20,000 - $24,999	13.6	12.4	13.7	15.6	4.6	12.6	11.0	14.2	13.1	12.8	13.8	16.3	13.1	3.7	6.6
$25,000 - $29,999	7.5	6.4	7.6	9.6	2.8	6.5	5.5	7.7	7.8	7.2	7.5	9.7	9.1	1.8	4.3
$30,000 - $34,999	5.5	4.1	5.8	7.7	1.7	4.1	4.1	5.6	6.4	5.6	5.8	7.7	7.0	1.0	3.4
$35,000 - $39,999	3.3	2.2	3.7	4.9	1.1	2.2	4.5	3.2	4.0	3.9	3.4	4.8	5.3	0.6	2.1
$40,000 - $49,999	3.1	1.8	3.5	4.8	1.2	1.8	2.2	2.6	5.3	3.9	3.9	4.4	6.5	0.4	2.9
$50,000 or more	4.9	2.6	5.7	8.3	1.2	2.5	3.5	3.3	10.5	7.0	7.1	6.2	16.0	0.6	2.5

APPENDIX I

APPENDIX II

Table 1

Degrees to Blacks, Predominantly and Non-Predominantly Black Colleges, Southern Region, 1973-74
(Bachelor's Degrees)

	Predominantly Black Colleges			Non-Predominantly Black Colleges*		
	Male	Female	Total	Male	Female	Total
Agriculture	209	5	214	10	0	10.
Architecture	22	1	23	18	2	20
Biological Sciences	451	415	866	74	83	157
Business & Management, less Accounting	2,080	1,263	3,343	540	220	760
Accounting	357	250	607	91	25	116
Communications	25	49	74	36	25	61
Computer Sciences	37	22	59	19	6	25
Education	1,879	5,525	7,404	482	936	1,418
Engineering	489	7	496	85	21	106
Fine & Applied Arts	142	138	280	108	69	177
Foreign Languages	29	132	161	17	24	41
Health Professions	76	434	510	18	185	203
Home Economics	3	322	325	2	104	106
Letters	188	717	905	117	237	354
Library Sciences	1	25	26	2	8	10
Mathematics	297	297	594	71	71	142
Physical Sciences	234	79	313	67	34	101
Psychology	192	395	587	83	114	197
Public Affairs	255	446	701	43	48	91
Social Sciences & Area Studies	2,349	2,257	4,606	313	639	952
Other	80	34	114	18	2	20
Total	9,395	12,813	22,208	2,214	2,853	5,067

*Estimated

Black College Graduates and the Job Market in the South, 1980
Southern Regional Education Board

APPENDIX III

Table 2

Degrees to Blacks, Predominantly and Non-Predominantly Black Colleges, Southern Region, 1973-74 (Master's Degrees)

	Predominantly Black Colleges			Non-Predominantly Black Colleges*		
	Male	Female	Total	Male	Female	Total
Agriculture	30	2	32	5	0	5
Architecture	19	4	23	0	0	0
Biological Sciences	43	45	88	9	9	18
Business & Management, less Accounting	148	35	183	90	55	145
Accounting	0	0	0	8	4	12
Communications	0	0	0	3	9	12
Computer Sciences	0	0	0	3	0	3
Education	1,356	2,480	3,836	240	339	579
Engineering	10	0	10	18	0	18
Fine & Applied Arts	6	12	18	30	18	48
Foreign Languages	4	4	8	6	10	16
Health Professions	1	1	2	0	13	13
Home Economics	0	[illegible]	5	0	17	17
Letters	18	58	76	11	59	70
Library Sciences	19	110	129	0	5	5
Mathematics	16	15	31	34	9	43
Physical Sciences	27	13	40	14	2	16
Psychology	40	73	113	3	6	9
Public Affairs	24	51	75	50	123	173
Social Sciences & Area Studies	129	113	242	62	20	82
Other	1	3	4	9	6	15
Total	1,892	3,025	4,917	586	704	1,290

*Estimated

STATEMENT OF CHARLES A. LYONS, JR., CHANCELLOR, FAYETTEVILLE STATE UNIVERSITY, FAYETTEVILLE, N.C., AND PRESIDENT, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Mr. LYONS. Thank you. My name is Charles Lyons. I am chancellor of Fayetteville State University in North Carolina. Fayetteville State University is a part of the university system of North Carolina. It is also one of the historically black institutions. It is about 110 years old.

I would like to point out the fact that in addition to the other kinds of services which we provide, we are also providing services to the active duty military at Fort Bragg, which is very close by.

This morning, like my colleagues, I appreciate the opportunity to appear and to express some views on behalf of the American Association of State Colleges and Universities. Part of the public sector, which public sector educates about 80 percent of all students in higher education and second on behalf of the National Association for Equal Opportunity in Higher Education, an association of some 107 historically black institutions which today produce over 50 percent of the baccalaureate degrees which are being earned by black young people in America.

We would like to speak on some general problems which we see affecting the student aid programs, the social security student beneficiary and programs that are designed to bring about a greater measure of not only access to equal opportunity but also equity in the educational process. My views do not differ generally from those offered by my other colleagues, but I do wish to highlight and hold up a number of specific concerns which I hope will be considered by the subcommittee.

What we are stressing, and this has been stressed by my other colleagues, is the importance of aid and assistance to human beings who are being trained at institutions of higher education in this country to be useful and productive and contributing citizens rather than growing up to be society's problems.

The country will continue to need in greater measure the trained manpower which these institutions produce. It is extremley important in my view to maintain as a cornerstone of our financial aid programs the principle of access and aid to the most needy student, young people who need a greater measure of society's benevolence. At my own institution and many others like it, we have some 90 percent of our students or more on some form of financial aid. And I would say to you that without the kind of programs that we are talking about, BEOG as well as the campus based programs, hundreds and thousands of these young people would not be able to go to college. Economists talk in terms of where the poverty line is and suggest the family income of under $10,000 are precariously at the level of poverty. I would suggest better these institutions we are talking about more than 75 percent of the young people we educate come from families of income less than $10,000.

To aid such students, we believe and strongly urge that the BEOG program be fully funded to be maximally effective.

Also I want to join my colleagues here at the table in strongly supporting the continuation of the campus based programs. One thing to point out with regard to BEOG is that the up to one-half cost limitation presupposes that the students are going to have to find the other half from some other source. And the kind of students we are talking about in too many instances don't have other sources from which to draw, either their own resources or their family's resources, so the other programs become extremely important.

AASCU has also taken a strong position in favor of the social security student benefits program. AASCU submitted a statement to members of the subcommittee in mid-March which represents the case we think is important against the administration's recommendation that the maximum grant available under the Social Security Administration program be limited to whatever the maximum grant is in that year of BEOG.

We have opposed that view, and we think on sound grounds and have indicated in the prepared statement, which has been filed with you, the reasons why that position is taken.

Another point I would like to make, Mr. Chairman, is to emphasize the importance of institutional administrative allowances that would be available to institutions to help underwrite some of the administrative costs in handling the student assistance programs. I think it is a plight for anyone to believe that there are no administrative costs in dealing with students who receive aid under the BEOG. And in some of these institutions, you have a larger number of students who are receiving aid under that program and there are administrative costs involved.

We certainly commend you, Mr. Chairman, for we know of your interest in this, and we know of the strong leadership which you have given to the matter of increasing such allowances, and we certainly hope you are going to continue to give that kind of leadership in this matter.

Another point we would like to emphasize is the need for cost of educational allowances to complement the student aid programs. There are many more costs involved in trying to educate students that student aid will not cover. And some of those have been spelled out, I think, in the detailed statements which have been presented to the subcommittee.

A couple of other things I would like to mention, and that is the special programs for the disadvantaged, Mr. Chairman, upward bound, talent search and special student services. It is difficult to over-emphasize the importance of these programs and the impact that these programs have on the education, providing opportunity for disadvantaged young people who otherwise might not have a chance. We understand that there has been some effort successfully to cut these programs in the Senate, and we also understand that there is some effort to cut them in the House. We would hope that this subcommittee and you, Mr. Chairman, would lead the effort to preserve these programs at a reasonable level.

I would like to also give support to my colleague's suggestions that we need a review of Federal policy with regard to graduate and professional student financial aid. I think this is extremely critical.

I would like to emphasize especially the need for aid at the graduate and professional school level for minorities and the poor. Some of you may recall that for a long time the historical black institutions were sort of like a voice crying in the wilderness on this point because we recognized the needs that we had that were not being satisfied where you are being called upon to be competitive in the general society and where you are dealing with young people who do not have the wherewithal to move forward. And I think the affirmative action considerations would require that we do more in this area in spite of the kind of syndromes which we see evident in Defunis and Bakke.

Finally, I would like to emphasize, Mr. Chairman, the importance of the continuation of support for the so-called developing institutions. I am happy to see that we have finally reached the point where the administration is recommending and I hope the Congress will fully fund title III at the authorized level. But I think title III has demonstrated what can be done with relatively modest sums of money in helping developing institutions, and I would hope that one of the considerations now would be given to raising the authorization level of title III.

Finally, again, aid to minorities and the poor, I would say to you that education in this society has been the vehicle that minorities and the poor of all races and ethnic groups, the vehicle they have used for upward mobility. We think it is extremely important as we go forward and establish Federal policies and higher education for the future that a great deal of consideration will be given to the need for representation of all groups in our society in all facets of American life.

Thank you very much.

Mr. FORD. Thank you, Chancellor.

You made reference to a letter sent to me by the American Association of State Colleges and Universities with some enclosures on May 11 of this year. Without objection, I would like to have that inserted contemporaneously with your remarks in the record in full including the attachments which really were earlier comments on what is being discussed today.

Mr. LYONS. The statement from the prepared statement we submitted this morning.

Mr. FORD. Yes, this would be added to it. This is a letter from John Mallan to us, and it really is an extension of the March 17 statement which you mention in your prepared statement.

Mr. LYONS. We would want that in the record.

Mr. FORD. Without objection, it is so ordered.

[The above referred to documents follow:]

aascu

American Association of State Colleges and Universities One Dupont Circle/Suite 700/Washington, D.C. 20036 (202) 293-7070

May 11, 1977

The Honorable William Ford
U.S. House of Representatives
Washington, D. C. 20515

Dear Representative Ford:

All of us very much appreciated the chance to meet with you May 6, and get an idea of your thinking on a number of subjects. We look forward to the coming hearings with great interest, and want to make a contribution in any way we can.

You asked for some general questions which might be raised with witnesses, including Secretary Califano and Mr. Boyer. I know that others will be writing you about the VA and other points. Let me mention the following:

1. Social Security Student Benefits.

I enclose a copy of a memo dated March 17 which has already gone to Tom Jolly, and to the members of the House and Senate committees which deal with Social Security. We also plan to join the other associations in testimony on this issue, which I believe may not come in the House SSA subcommittee till this summer.

You may wish to ask the Secretary and perhaps Mr. Boyer whether he is aware that the SSA student benefit is an earned benefit (like all of SSA), that many beneficiaries are from very poor families (according to SSA and ACE data), that BEOG and SSA are not interchangeable, so that a loss in SSA would not mean that the same amount would be "picked up" in BEOG or other student aid; and that to the extent SSA were picked up it would simply place a greater strain on BEOG and other student aid--reducing either net federal budget savings or available student aid.

I enclose some data on this. In Michigan in December, 1975, SSA payments of about $4.7 million a month went to about 32,500 families. I am told by SSA that this underestimates the total usage over the year 1975 considerably, and also that present 1977 levels would be considerably higher. Similar figures hold in other states, usually on a population basis.

2. *State Legislative Veto Over Federal Funds.*

This is a new problem which as far as I know has not yet been raised before any Congressional committee, but is of such importance that you may wish to consider bringing in the Advisory Commission on Intergovernmental Relations (ACIR) as a witness, or at least making inquiries of them. I also hope to place some materials on the record about this, whenever you wish.

I enclose several documents: an AASCU press release sent out in April, a *Chronicle of Higher Education* article of April 25, and a *Washington Post* piece of February 7 which deal with aspects of this question.

It seems to me there is a fundamental issue here of whether states can exert an item veto over the intent of Congress, by refusing to allow colleges to spend allocated funds--student aid, awards to colleges, and faculty grants--*until* the state legislature passes on each item, and (if it wishes) vetoes it.

There is a case pending decision in the Pennsylvania Supreme Court in which the Governor argues that the Pennsylvania law violates the federal supremacy clause; I understand the brief includes over 100 pages on this point. This case is likely to come to federal courts, possibly the Supreme Court, as the *Post* says.

Further, the federally supported ACIR, which seems to reflect mostly holdovers from previous administrations and state government representatives, is actively promoting this view in the 50 states. It is this latter activity which your subcommittee may wish to look into, since it seems both bad law and very bad policy. In Pennsylvania, the law has meant four times as much paperwork for colleges and the loss of some grants, in its first year.

I hope your subcommittee or its staff will be able to discuss this with the ACIR. Since this involves aid to colleges, (and other aid to education), it appears that you have oversight.

3. *Can Student Aid Have the Effect of Raising Tuition?*

This question, which you raised May 6 in connection with the World War II G.I. Bill experience concerns some of us very much. Reports are beginning to come in from states such as Massachusetts, New York, and New Jersey, for example, that advocates of higher tuition are trying to persuade states that they can afford to raise public college tuition--perhaps to raise total costs to $2,800, if BEOG is at $1,400--because "BEOG will pick up the costs" for poor students.

This is closely related to your other concern, which was very articulately expressed. "Middle income" families, trying to get along on about $11,000 to $16,000 a year (with median U.S. income still around $13,500), get little or no help from BEOG. They may or may not get much help from the campus-based programs; this has yet to be proved.

Traditionally, low-tuition public colleges--two-year and four-year--have helped to meet part of the need for many of these people, who receive little or no student aid. But student aid strategies can hurt them if they result in tuition increases--which mean (1) the poor will also get less money, unless student aid is further increased; (2) the working class and middle class will simply pay more or have to drop out. College attendance rates have fallen in almost all years since 1969, for every income class, but more for people below $15,000. AASCU thinks that rising costs are a major reason. (Please see the attached Low Tuition Fact Book on this point.)

There is also concern at AASCU that SSIG and state student aid programs may present greater problems, since these may more directly encourage states to raise tuition and divert more institutional aid from the public sector.

There is no simple answer to the student aid-tuition question. Representative O'Hara suggested language in 1975 to make colleges "assure" that increased student aid did not result in tuition or fee increases, but this, his staff admitted, did not carry any monitoring or enforcement mechanism. Funds for institutional aid, especially cost-of-education, could be earmarked just to hold down tuition, at all colleges, public and private. This would help--if Congress would appropriate such institutional aid funds.

In any care, we see this as a serious and growing problem. We hope you willraise it.

4. Ending half-cost.

As Lois Rice mentioned, this could help hold down tuition by decreasing the incentive to raise it. It would also help both poor and working class-middle class students get a larger BEOG grant, especially at $1,800.

My own belief is that the private college opposition to this in 1975-76 was both in error and contrary to the national interest. It was in error because there is little or no data to show that people who would ordinarily go to private colleges would be lured away by a full-cost or three-quarters costs BEOG. It is bad policy because a very few people (not all private colleges agreed--i.e., the ACE and

COPHE groups did not) were allowed to stand in the way of increased access for the many. Some 80 percent of students today (especially poor and working class) are in the public sector; should this 80 percent be denied badly needed help because *some* of those in the 20 percent sector feel their colleges *might* lose students?

I don't know whether you want to get into this issue again at this time. Most public colleges would accept a compromise like that worked out by ACE in 1976, to permit the privates somewhat more funds under the campus-based programs if half-cost were changed to 75% or 100%. But you may at least wish to raise this issue again. I had the feeling that many in the House (and more in the Senate) simply didn't want major changes in HEA in 1975-76, and used this public-private issue as a reason not to act. I think it could have been worked out, with strong Congressional leadership. In any case, the issue is still alive.

These are four issues others may not raise. I believe Social Security, the ACIR effort to take away the intent of Congress in appropriation federal funds, and the relation of higher student aid to higher tuition are particularly key issues which other organizations may not have addressed to the same extent.

We stand ready to help you and your staff at any time.

Sincerely,

John P. Mallan

John P. Mallan, Director
Office of Governmental Relations

JPM:jmb

Enclosures

cc: Tom Jolly
Pat Morse

aascu

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March 17, 1977

THE EFFECT OF REDUCING THE SOCIAL SECURITY STUDENT BENEFICIARY PROGRAM

1. **Background**. President Carter has proposed reducing the maximum benefit under the Social Security Administration (SSA) student beneficiary program to the maximum level for Basic Educational Opportunity Grants (BEOG). The BEOG maximum is now (FY 77) at $1400; the President has proposed $1600 for FY 78. (It is not yet certain what the BEOG figure will be.)

Presumably, the President would reduce benefits only for the approximately 80 percent of students enrolled in postsecondary education and not for the 20 percent enrolled in high school, though this is not clear.

The SSA student program is a little-understood but highly important federal program. It is estimated by the American Council on Education, based on SSA data, that about $1.8 billion will be spent on this program in FY 78, aiding 876,000 participants, of whom about 71% will attend college, about 7% other postsecondary institutions, and the rest high school.

The program is an insurance program, like other SSA programs-- a "contract" between the government and the employee. It permits the children of SSA beneficiaries (deceased, disabled, or retired) to complete high school and to attend college or postsecondary education full-time between the ages of 18 and 22. The median family income of most participants is very low; in one recent year it was estimated at $6,130, with 49 percent of the participants coming from families below $6,000 a year.

Figures for individual states for December 1975, the last available month, are attached. It can be seen that in most states thousands of families and millions of dollars a month in income are involved. The program has grown considerably since that date, so that FY 77 and FY 78 figures will undoubtedly be much higher.

The effect on some typical states can easily be seen, using the December 1975 figures. In Michigan, payments of about $4.7 million a month went to about 32,500 families. In Oregon, payments of about $1.1 million went to 7,900 families. In Kentucky, $1.4 million went to 11,000 families, and in Louisiana, $1.8 million to about 15,600 families. These figures should be multiplied by twelve, approximately, to get an idea of annual payments to families and students in each state. Again it must be emphasized that the number of participants and the sums paid have both increasec sondierably since 1975.

2. Effects of reducing the maximum. The American Council on Education estimates that the maximum payment for postsecondary students in FY 78 will be about $1,949 a year. However--and this is essential--reducing these payments to the BEOG maximum of $1400 or $1600 would not necessarily bring these students to "equity" with other students who receive BEOG. In most cases, the students and their families would be worse off. In some cases there would also be an increased drain on BEOG and other federal student aid programs--if the SSA students were not forced to drop out of college completely.

   Here are some reasons why there is no "equity" between SSA payments and federal student aid payments:

   a) For many poorer families, SSA funds are used as a major part of family income. Taking away part of these funds would simply leave the families much worse off.

   b) SSA and BEOG are not interchangeable. SSA funds are counted as family income, not student income, for BEOG purposes. Thus, some students receive a BEOG grant as well as an SSA grant--depending on total family income and other factors.

   c) In many cases, a student would not "get back" a sum equivalent to his reduction in SSA benefits. If family income were at a certain level, he or she might receive no additional BEOG help, or a BEOG much smaller than the sum lost through reducing the SSA.

   d) In other cases, reducing SSA would simply place a greater strain on available funds from BEOG and especially other federal student aid programs--the demand for which is already far greater than available funds. Other students would suffer is present SSA beneficiaries applied for additional federal student aid funds.

3. Conclusions. Arbitrarily reducing SSA awards to the BEOG maximum level would work major harm on thousands of poor and struggling families and their children in every state, place additional strains on other student aid programs, and reduce one form of benefit which workers now deceased, disabled, or retired have counted on as part of their earned Social Security entitlement for their families.

Given all these factors, those interested in maintaining this vital Social Security program may wish to contact the President (who has not yet filed legislation with Congress to accomplish this purpose), members of the House Ways and Means Committee, the Senate Finance Committee, the House and Senate Education Committees, and others in Congress to indicate their concern. The President has reversed many of the decisions he originally made about the FY 77 and FY 78 budgets for student aid. Perhaps he will also reconsider this decision before proceeding further.

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For further information:

John Mallan 293-7070

Encl: Table showing SSA student benefits for December 1975 by state.

OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE

Student benefits: Number and monthly amount in current-payment status at the end of December 1975, by State and basis of entitlement

Beneficiary's State of residence	Total		Retirement of worker		Death of worker		Disability of worker	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Total	776,261	$104,561,182	133,189	$13,835,215	603,819	$77,931,692	167,253	$12,796,275
Alabama	17,003	2,075,280	3,070	269,787	10,680	1,534,649	3,253	271,064
Alaska	555	69,080	110	8,909	382	55,066	63	5,111
Arizona	7,833	1,095,575	1,367	141,360	5,075	816,385	1,401	137,830
Arkansas	8,213	961,490	1,753	141,696	4,506	667,936	1,934	153,071
California	76,682	10,662,002	12,668	1,366,623	48,155	7,877,385	15,229	1,418,052
Colorado	7,389	1,041,131	1,216	130,388	5,080	811,659	1,103	99,184
Connecticut	10,462	1,596,956	1,791	219,083	7,207	1,217,286	1,464	160,587
Delaware	1,965	277,190	255	30,870	1,366	217,560	336	28,780
Dist. of Columbia	2,870	329,365	391	36,887	2,079	262,632	400	31,986
Florida	27,730	3,706,760	5,030	540,620	17,561	2,760,354	5,139	405,775
Georgia	16,839	2,090,127	2,140	197,399	11,264	1,620,716	3,436	273,976
Hawaii	3,136	613,765	796	80,927	1,880	282,121	460	41,717
Idaho	2,375	362,986	319	56,582	1,605	265,270	441	41,165
Illinois	37,111	5,357,099	5,836	668,918	25,960	4,196,366	5,315	493,815
Indiana	15,461	2,302,365	2,453	293,386	10,272	1,716,448	2,736	[illegible]
Iowa	8,536	1,195,767	1,395	175,986	5,676	889,277	1,455	130,166
Kansas	6,768	972,190	1,287	133,368	4,396	753,007	965	86,610
Kentucky	11,057	1,640,660	1,821	176,590	6,717	1,053,018	2,519	209,044
Louisiana	15,681	1,830,264	2,490	213,436	9,426	1,360,798	3,767	266,010
Maine	3,678	476,672	610	62,375	2,253	350,976	815	61,323
Maryland	11,760	1,668,360	1,643	177,329	8,460	1,317,588	1,646	153,423
Massachusetts	20,323	2,860,081	3,276	365,306	13,637	2,161,819	3,462	312,956
Michigan	30,383	4,766,963	5,356	662,705	20,867	3,526,763	4,380	597,495
Minnesota	16,460	1,978,712	3,217	363,001	9,060	1,439,619	2,183	156,092
Mississippi	12,760	1,291,933	2,675	179,082	7,262	948,312	3,823	163,439
Missouri	16,353	2,236,700	2,833	302,998	10,404	1,661,063	3,116	272,640
Montana	3,037	416,230	383	61,106	1,955	312,106	699	43,020
Nebraska	4,506	626,106	810	86,863	3,071	478,257	703	39,006
Nevada	1,365	190,659	200	21,729	963	158,992	200	10,738
New Hampshire	2,388	332,507	400	35,182	1,600	261,863	388	35,480
New Jersey	26,766	3,912,826	3,968	481,389	17,816	2,959,285	4,980	471,990
New Mexico	4,650	521,017	861	72,089	2,838	381,866	981	67,082
New York	71,691	10,315,839	12,366	1,649,366	45,585	7,675,881	13,762	1,385,612
North Carolina	21,608	3,666,806	2,963	370,666	14,256	2,867,962	4,212	337,288
North Dakota	2,676	368,627	677	69,936	1,605	263,935	398	30,558
Ohio	36,762	5,089,695	5,216	686,301	22,830	3,777,335	6,718	626,059
Oklahoma	8,553	1,120,539	1,386	133,133	5,331	837,290	1,818	156,107
Oregon	7,962	1,167,296	1,527	176,636	5,006	857,985	1,408	136,675
Pennsylvania	38,055	5,372,086	5,950	721,780	25,186	4,191,220	6,919	469,086
Rhode Island	3,218	463,607	483	36,666	2,073	389,684	662	39,137
South Carolina	12,461	1,485,463	1,656	151,696	8,300	1,161,781	2,505	192,186
South Dakota	2,383	326,767	370	36,923	1,584	232,800	429	55,762
Tennessee	13,991	1,796,365	2,386	228,765	8,776	1,330,067	2,829	237,533
Texas	41,236	5,295,919	7,370	660,310	26,462	4,039,261	7,396	596,348
Utah	3,627	489,723	670	73,309	2,280	370,310	697	45,966
Vermont	1,456	195,065	270	29,668	930	145,562	257	19,815
Virginia	17,605	2,278,201	2,087	262,423	11,376	1,736,900	3,337	278,958
Washington	12,696	1,834,768	2,263	259,763	8,132	1,375,361	2,295	219,604
West Virginia	7,168	960,634	1,217	126,067	3,970	632,233	1,961	181,336
Wisconsin	16,467	2,338,132	3,263	368,057	13,499	1,723,757	2,785	263,518
Wyoming	1,083	153,583	183	19,036	760	122,213	151	12,316
Outlying areas:								
American Samoa	66	3,210	19	480	60	2,640	7	90
Guam	109	9,215	27	1,439	66	6,835	16	921
Puerto Rico	10,536	1,270,271	3,401	277,011	6,437	680,252	6,698	313,008
Virgin Islands	180	19,131	50	4,363	125	14,180	16	688
Abroad	5,078	487,189	1,636	100,917	3,066	356,905	399	29,407

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
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aascu

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FOR IMMEDIATE RELEASE, April 19, 1977

Federal Agency Urges State Veto Over Federal Aid to Colleges

A federal agency is recommending to every state legislature and governor in the country that all federal aid to colleges--including student aid, faculty research grants, and grants to colleges--first be "re-appropriated" on an item-by-item basis by the state legislature in the state where the college is located.

One state, Pennsylvania, has already passed such a law. It is now being contested on constitutional grounds before the state Supreme Court, and may be headed for the U.S. Supreme Court. Other states are considering similar actions.

The American Association of State Colleges and Universities (AASCU) has expressed great concern about this matter, "which could affect colleges, faculty and students in every state, create endless delays and red tape, and subvert the right of Congress and the executive to appropriate funds for specific purposes," according to John Mallan, Director of Governmental Relations at AASCU. "It is probably unconstitutional."

"Further, such actions could reduce state funding (allowing federal funds to be substituted), and could also discriminate against the poor, minorities, and women," Mallan added. "Other similar revenue sharing schemes have resulted in less funds going to the disadvantaged and women. What would happen to student aid awards, TRIO grants, or Developing Colleges grants a particular state legislator didn't like? What would happen to a scientific research grant a legislator didn't like or understand?"

The federal agency is the Advisory Commission on Intergovernmental Relations (ACIR), a group which specializes in technical studies of federal-state relations. Its present membership includes Senators William Hathaway (Maine), Lawton Chiles (Florida), and William Roth (Del.), as well as Reps. Clarence Brown (Ohio), L.H. Fountain (N.C.), and Charles Rangel (N.Y.). The ACIR also includes Cabinet-level officials and others not yet appointed by President Carter, as well as governors, state legislators, and local officials.

Last year, ACIR adopted an official position favoring the power of state legislatures to control and veto federal aid to colleges and state agencies. In March, 1977, the agency sent a model state law to every state legislature, governor, and state budget officer in the country, encouraging all states to adopt such legislation.

In Pennsylvania, Governor Milton Shapp vetoed the original law as unconstitutional on the grounds that federal law is supreme over state law. His veto was overridden, the state Attorney General lost a suit on the issue in the lower state court. The Pennsylvania Supreme Court is expected to rule on the question soon. The losing side--whether governor or legislature--is likely to go to federal court.

The case affects federal funding for all programs, not only colleges, but elementary-secondary education when appropriated to the state, hospitals, welfare agencies, and other programs. Since a number of state government officials have long favored such control over federal funds, a major political and constitutional battle may be under way.

AASCU has urged all colleges to contact their Congressmen about ACIR's controversial intervention in federal-state relations. AASCU has also suggested that the Carter administration review the actions of ACIR. It has alerted colleges in every state to watch for such developments in their own legislatures. AASCU and other groups may join in litigation if the Pennsylvania case goes to federal courts.

"This may be the greatest threat to the autonomy of higher education in the history of this country," said Mallan. "While present ACIR efforts apply to public colleges, it is possible that private colleges can also be included."

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For further information:
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For Lyman G

State Control of Federal Dollars Called Threat to University Autonomy

Efforts to forbid spending of government funds until they have been re-appropriated by legislatures are attacked by state-college association; challenge to Pennsylvania law may reach Supreme Court

By Jack Magarrell

WASHINGTON

A growing tendency by legislatures to tighten their control over federal funds coming into their states is causing concern among some representatives of public colleges and universities.

Attempts to forbid the spending of federal funds until they have been re-appropriated by the the state legislature are receiving support and national coordination from the Advisory Commission on Intergovernmental Relations, an agency whose 26 members represent executive and legislative branches of government at federal, state, and local levels.

The flow of federal funds to state and local governments and agencies has increased tremendously—it is now 20 times what it was in 1956—and some state legislators feel they are losing control of public spending in their own jurisdictions.

"If we cannot control the purse strings, we are nothing," said a state senator in South Dakota.

The American Association of State Colleges and Universities last week said state [illegible] power over federal funds could have a serious impact on publicly supported higher education.

Threat to College Autonomy

"This may be the greatest threat to the autonomy of higher education in the history of this country," said John P. Mallan, the association's director of federal relations.

State legislatures' control of federal funds already has become the focal point of several court challenges and rulings by state attorneys general.

In the past few weeks, officials in all 50 states have received copies of model legislation prepared by the staff of the advisory commission.

The model legislation, recommended to all states by the commission, would prohibit the spending of federal funds by any state agency unless the legislature re-appropriated them.

The commission suggested that some states might want to exempt from such restrictions federal financial assistance to state colleges or universities.

Such an exemption, the commission advised state officials, "will depend on the state's own appropriations procedures and its history of dealing with its public institutions of higher learning."

"Some states," the commission continued, "prefer to closely control appropriations and activities of the state colleges and universities; others give them almost total autonomy in their budgets and actions."

A Ceiling on Spending

Under the model legislation, if a legislature appropriated $50,000 in federal funds and $50,000 in state funds for a $100,000 program, any change in the federal funds available would only reduce the spending of state funds.

If only $40,000 in federal funds were actually received, the state appropriation also would be reduced to $40,000. If the federal funds actually received increased to $60,000, the state funds would be reduced to $40,000, to hold the total to the originally appropriated $100,000.

The American Association of State Colleges and Universities has urged its member institutions to oppose the kind of state control recommended by the advisory commission and has suggested that the Carter Administration review the commission's actions.

What would happen, asked the association's Mr. Mallan, to student-aid awards and college grants "that a particular state legislator doesn't like?"

"What would happen to a scientific research grant a legislator didn't like or understand?"

A controversy over legislative control of federal funds is now pending before the Pennsylvania supreme court.

Last June the Pennsylvania legislature passed—over the veto of Gov. Milton J. Shapp—a bill requiring that federal funds coming into the state be deposited in the state general fund and thus be subject to appropriation by the legislature.

The legislation was opposed by the state department of education and the governing board of the state colleges and university.

Pennsylvania's attorney general went to court, arguing that the legislature's authority to appropriate applies only to state funds and does not include federal funds.

The legislature argued that federal funds were subject to the state's duty and power to control its own financial well-being.

The trial court ruled in favor of the legislature, and the attorney general appealed to the state supreme court. The controversy could eventually go to the United States Supreme Court.

While the appeal is pending, the fund-control law remains in effect.

George H. Marshall, Pennsylvania's assistant commissioner of higher education for fiscal affairs, said the first year under the new law was "most unpleasant."

So far, he said, the legislative control of federal funds has not reduced the amount of money available but has led to delays and increased paper work.

Less Delay Next Year

In the coming year, new procedures should avoid some of the delays caused by the new law, he said.

The Pennsylvania law applies to all federal funds for the institutions in the state college system, but not federal funds going to state-related universities or as grants-in-aid to private institutions.

Governor Shapp said in his veto message, "It is my belief that federal funds can only be appropriated by the United States Congress and that those funds are earmarked directly for the agencies and programs embodied in federal legislation and regulations."

In the debate in the legislature over the fund-control bill, the House majority leader, K. Leroy Irvis, said that "the primary responsibility for all appropriations and other funds spent by the commonwealth, historically known as the power of the purse, rests with the general assembly."

State higher-education officials have asked the Pennsylvania legislature this year to amend the law to exempt from the controls federal funds for student aid and grants of less than $100,000.

A problem in Pennsylvania and in a number of other states that have subjected federal funds to legislative control is what to do about federal funds that become available between legislative sessions.

In several states, legislative committees have been given authority to approve spending of federal funds when the legislature is not in session, but such arrangements have in some cases been ruled to be an unconstitutional delegation of the legislature's authority to make appropriations or an infringement of the governor's administrative powers.

The way the law stands now in Pennsylvania, Mr. Marshall said, if a state college gets a federal grant between legislative sessions, the college can accept the grant but can't spend it until the legislature comes back and makes an appropriation.

Developments in Other States

The advisory commission, in support of its recommendation for state legislatures' control of federal funds, noted developments in several other states:

▶ In Colorado, the legislature now appropriates federal funds only when state matching funds are involved.

Five years ago, the Colorado legislature tried to control the appropriation of all federal funds in the state, but the state supreme court ruled that the action was "an attempt to limit the executive branch in its administration of federal funds to be received directly from agencies of the federal government and unconnected with any state appropriations."

▶ In Michigan, starting last year, the legislature appropriates all federal funds coming into the state except those that pass directly through to local governments.

Each appropriations bill contains a provision that no state agency can establish new programs or expand existing ones until the program and its appropriation have been approved by the legislature.

▶ In Illinois, the state comptroller will release federal funds for a program if the legislature has taken no action concerning the program, but if the legislature has considered the program and refused to appropriate federal funds for it, the comptroller will not release them.

▶ In Montana, the legislature appropriates all federal funds coming to the state government—but when the legislature is not in session the governor can approve spending additional amounts under certain conditions.

The Montana supreme court ruled in 1975 that there was no doubt about the legislature's power to control the spending of federal funds but that it could not constitutionally delegate that power to a legislative committee between sessions.

All appropriations bills in Montana provide that if an agency receives more federal money than expected and appropriated, the state funds shall be decreased by a corresponding amount, unless a budget change is approved by the governor.

▶ In Alaska, the legislature appropriates all federal funds, by program, in the state budget. The state attorney general ruled last July that the legislature had unconstitutionally given a legislative committee authority to decide on the receipt and expenditure of additional federal funds between legislative sessions. Such decisions now are made by the governor, with the advice of the legislative committee.

Constitutional Amendment

The advisory commission has suggested an amendment to state constitutions, where necessary, to permit the legislature to delegate authority to a special committee to act on federal grants that become available after the legislature has set the regular budget.

Many states still do not consider federal aid in their budgetary deliberations, the commission says, and state matching funds, in many cases, are not identified as such in the appropriations bills. The commission estimates that 13 per cent of federal grants require no matching funds and thus can "circumvent the appropriations process completely."

THE WASHINGTON POST, MONDAY, FEBRUARY 7, 1977

Neal R. Peirce

Legislators vs. Bureaucrats: Who Will Spend the Money?

HARRISBURG—In a case that could be pivotal for the future of federal-state relations and the relative powers of governors and legislatures throughout the nation, the Pennsylvania legislature has boldly asserted its right to appropriate all federal money flowing to the state government and won a crucial court test on the point.

The Pennsylvania case, likely to reach the U.S. Supreme Court before it's finally resolved, involves a premier issue of federalism in our time: Can governors and state bureaucracies, in concert with their federal counterparts, decide how federal grants—now averaging 21 per cent of state budgets—will be spent? Or can the state legislatures, which for all their faults and foibles are still peculiarly the "people's branch" of government, successfully reassert their power of the purse?

The dollar amounts in question are immense. Since 1954, federal aid to state and local governments has increased more than 20 times, from [illegible] billion to more than $60 billion a year. Some three-quarters of that money goes to state governments.

The legislatures say that constitutionally they, and only they, can appropriate money to be spent by a state, no matter what its source.

Not so, replies Pennsylvania's Democratic Gov. Milton J. Shapp, when federal money is involved. "Federal funds," he contends, "can be appropriated only by Congress, so when federal agencies earmark them for specific programs, a state legislature has nothing to say about that matter.

If that's true, legislative spokesmen reply, then federal funds, commingled with those appropriated by legislatures, can be manipulated to subvert the legislatures, destroying the capacity of lawmakers to say "yes" or "no" to programs or to set fiscal priorities for their governments.

Pennsylvania legislators cite cases of federal grants used to establish or perpetuate programs specifically rejected by the legislature. They're used as a "foot in the door" to start up programs the legislature will be under strong political pressure to continue when the federal largesse runs out. Uncontrolled federal funds, State Rep. James J. Manderino charges, are used "to keep the bureaucracy in Harrisburg well cared for, instead of providing services for people at the grass roots level."

Allegations of executive manipulation recall the charge of Joe Kyle, fiscal agent for the Louisiana legislature—that "the federal agencies and state executive departments all sit in the same bathtub together," all with an interest in empire-building and multiplying programs.

Only the state legislatures, their backers say, have the independence to take a critical look and decide which federal programs a state can and should afford to accept.

The Pennsylvania case arose when the legislature, which had routinely included a one-sentence authorization to spend all federal grants in its general appropriations bill, suddenly balked, declaring it would specifically appropriate all federal funds. Shapp vetoed parts of the new detailed appropriations bill, and when his veto was overwhelmingly overridden, took the case to court.

The Commonwealth Court, however, decided the issue 6-0 in favor of the legislature. The case is now in the state Supreme Court. Regardless of the decision there, the losing side is likely to carry it to the U.S. Supreme Court this year.

It now appears that only a clear-cut Supreme Court decision favoring executive branches over legislatures can stem a rising tide of legislatures seeking to gain control of federal money spent in their states.

Minnesota House Speaker Martin Sabo, president of the National Conference of State Legislatures, asserts that "state legislatures are convinced they must take firm control of the federal funds in their budgets or face increases in the cost of state government and in the power of state bureaucracies. Both the U.S. Constitu-

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tion and our state constitutions delegate the power for controlling the purse strings to the legislative branches of government. It is outrageous that we stand by and allow that power to be usurped."

The key constitutional issue revolves about the Supremacy Clause of the U.S. Constitution, which makes federal law "the supreme law of the land." When Congress appropriates funds, Pennsylvania Solicitor General Vincent Yakowicz says, it's analogous to impoundment—the sin for which the Nixon administration was so roundly chastised—for a legislature to refuse to spend them.

LEGIS 50, an independent group devoted to improvement of state legislatures, intervened in the Pennsylvania case as a friend of the court, arguing that because federal statutes make state acceptance of federal grants voluntary, the Supremacy Clause is not relevant. The Commonwealth Court agreed.

The irony of Shapp's position, LEGIS 50 attorney Sarah Carey told me, is that his logic, taken to its extreme, would make him a mere agent of the federal government. She said that, by siding with the federal executive, Shapp was taking a position that would diminish the powers of his own state government.

The legislatures gained an influential ally recently when the prestigious U.S. Advisory Commission on Intergovernmental Relations said they should include all anticipated federal grants in their appropriation or authorization bills.

Renewed legislative appropriations power, the ACIR said, is necessitated by the dramatic growth of federal aid and the shift of that aid to revenue sharing and broad block grants requiring policy decisions. The ACIR went on to cite the legislature's increased "professionalism."

The last point, I believe, ought to be decisive. Well-staffed legislatures, meeting frequently, were once viewed as an invitation to more spending programs and taxes. The federal aid factor may make the opposite true: Legislatures with adequate staffs and longer sessions can be watchdogs of the people's money, monitoring bureaucracies and insisting on economies.

Legislatures are capable of politically repulsive motives. The Pennsylvania legislature has already used its new power over federal aid funds to kill a special state prosecutor's office in Philadelphia, which was funded by the federal government and about to bring indictments against several leading legislators.

But the cure to such abuses is political: electing capable, honest legislators. The experience of the past few years suggests that the other cure—placing all power in the hands of executives and non-elected bureaucrats—can remove government farther and farther from the people and lead to its own, more serious abuses.

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We will try to go on now and then come back for questions of the entire panel.

Paul Hadley, academic vice president of the University of Southern California.

[The prepared testimony of Paul Hadley follows:]

Testimony of Dr. Paul Hadley, Academic Vice President of the University of Southern California, for the National University Extension Association

before the

Subcommittee on Postsecondary Education, Committee on Education and Labor, the House of Representatives.

June 1, 1977

Mr. Chairman:

I appreciate the opportunity to participate in this panel presentation, representing the National University Extension Association. My special role here is to discuss federal support of extension and continuing education. These are programs that extend learning opportunities, both on and off the campus, to persons of all ages, to veterans and people on active military duty, volunteer organizations, governmental units, and to business and industry.

We support the conclusions of the University of Notre Dame Report, the Learning Society, that "lifelong learning should be guided by public policies that encourage the systematic integration of learning opportunities with the needs of people at different stages of life" and that "the integration of learning with life and careers cannot be effectively accomplished on an ad hoc basis dependent on the person's ability to pay or solely on self-interest."

The NUEA has recently published a brochure, "Public Policy Proposals of NUEA", that addresses the need for action by the Congress in this field. We commend it for your consideration. I have copies with me today.

I am sure this committee is aware that the composition of the postsecondary student population has changed dramatically, with more than half of our student population now enrolled on a parttime basis. These parttime students are adults of all ages. Some take credit courses and work toward degrees. Others take courses not for credit. They are studying for a variety of reasons, but the data show that predominantly the reasons are work-related, to improve performance in present jobs and to prepare for other jobs. Most of these people pay the full cost of their education. There are many other people not counted in the student data, who participate in activities conducted by educational institutions to gain knowledge, to contribute to such public needs as energy conservation, environmental protection, improved production of food and fiber, and improved health services, to help them in their work or to be better citizens.

No one knows how many more adults would become parttime students if it were not for financial barriers imposed by limited incomes and family responsibilities. We do know that there are millions of underemployed and misemployed people who did not pursue postsecondary education when they finished high school, whose capabilities are underutilized in their present jobs and whose more productive employment is impeded by lack of education. We do know that there are many whose skills have become obsolete. We know there are many women needing education for returning to the work force, older people who would like to develop new roles in society and whose wisdom we need, people desiring more knowledge to enable them to be better parents and better citizens. We also know that the value of education cannot be measured alone in terms of employment and incomes. Education is an essential cornerstone on which our political and economic system is based. We believe that it is in the national interest to provide financial incentives and assistance to certain individuals and institutions.

We recommend that the public policy include federal financial support for the education of adults. This should include assistance to:

- adult parttime learners with financial barriers to the pursuit of education, and to
- educational institutions to develop and strengthen their competencies for delivering continuing education/extension/lifelong learning programs.

Assistance to parttime students should:

- be targeted to support persons not now equitably served by continuing education programs;
- provide greater support for those less able to pay;
- supplement but not supplant existing systems in which people pay the costs of their own continuing education
- insure individual self-determination of educational choice.

Support to educational institutions for conducting continuing education/extension/lifelong learning programs should:

- provide sustaining long-range commitments on the basis of need to individual universities with continuity of funding.

> Only with such commitments can higher education institutions develop and maintain highly competent staffs and preserve relationships that result in maximum productivity. This continuity has been an essential feature of the highly successful agricultural extension service.
>
> -use and expand the established competencies and delivery systems of the individual colleges and universities in each state with maximized effectiveness.

In line with this policy, the Congress has passed numerous programs supporting continuing education that serve defined needs of the nation and of specific groups. These programs are administered by nearly every department of government and numerous independent agencies. Yet there remain many unmet needs and needs that are served inadequately. We believe more emphasis is needed on applying knowledge, on developing the ability and skills of people to enable them to take initiative in solving their problems and problems plaguing the nation.

We commend the Congress for several amendments to the Higher Education Act passed by the 94th Congress that will improve services to parttime students.

We commend the 95th Congress for passing Title V of Senate Bill 36 which will provide an extension service to help people acquire knowledge for saving energy - a high priority national need.

There has been only minimal attention to broad review and coordination of the many federal programs supporting continuing education. We believe such a review can help identify important unmet needs and lead to action that will make possible improved coordination and greater services with the funds available. The kind of oversight this committee is providing is needed. Also Title IB of the Higher Education Act as passed by the 94th Congress, if funded, can help greatly in achieving needed coordination.

We can point out numerous inconsistencies and needs for coordination but we believe detailed study is needed. In the time available here we can only mention a few examples:

BOG's and SEOG's serve needy students who are studying fulltime or nearly fulltine, yet little is done for employed students with family responsibilities and limited income who want to study on a parttime basis. If Titles IA and X of the Higher Education Act as amended by the 94th Congress were fully funded, it could help correct this inconsistancy.

Tax benefits are provided to employed persons who obtain education to help them in their present jobs, regardless of their income levels, but there are no tax benefits if the training is to help them prepare for other jobs in which they will be more productive, better satisfied or better paid.

Programs are provided to train the unemployed; yet little assistance is provided for education of the working poor. .

There are important inconsistencies and problems of coordination in connection with participation of people with veteran's benefits in educational programs conducted by colleges and universities under contract with DOD on military bases in the continental United States and overseas. I will devote the rest of my time today to those problems which have arisen since the enactment of P.L. 94-502, relying heavily on the experience of my institution, the University of Southern California.

We have presented our concerns in some detail to the Veteran's Affairs Committee, and therefore will only summarize them here. I believe that the problems USC faces are typical of other responsible institutions which offer courses to veterans on- and off-campus. Our University has been providing off-campus degree programs since 1963, and we now offer graduate level education at over 70 centers around the world. We are proud of the high quality of these programs and firmly believe that we are providing a needed service to the military and civilian personnel at these locations. Students that frequently move because of job changes, especially members of the military services, cannot increase their educational level unless their study can be continued (without loss of credit) at convenient locations. Extended campus programs provide these opportunities.

We join many other institutions of higher learning and educational associations in expressing concern over what we see as negative features of the new GI Bill. More damaging than the added administrative burdens on educational institutions is the often unfair and unnecessary elimination of opportunities for deserving veterans. The future of USC and other higher educational institutions does not rest on the success or failure of our off-campus efforts, but the future of many current and potential students (veterans and non-veterans) may be at stake if off-campus opportunities are severely reduced or eliminated.

I would like to discuss briefly two particular aspects of the current situation: First, some features of the current law that have adverse effects on veterans' opportunities; and second, some of our ideas on possible ways to deal with these features while still attacking the abuses that triggered the need for the new law.

1. Advèrse Features:

   a. 85-15 Rule - We are forced to deny admittance to veterans at some centers because we have more than 85% of the students at that center using VA benefits. For example, we could take in a civilian employee of a military base who is using VA educational benefits, but we could not take in his veteran neighbor who works for someone other than the military base. This would be true even though the veteran neighbor's educational benefits may be about to expire, because of the 10-year limit.

b. Two-Year Rule - We must deny admittance to many prospective students when a center is less than two years old. Examples of the unfairness created by this rule:

(1) A qualified civilian veteran cannot enroll but an in-service person using VA benefits can.

(2) A veteran who has been enrolled in our program at the center, is transferred to a new location where our program is offered, but the center is less than two years old. He could not continue at the new location.

(3) We will be forced to close some centers less than two years old because new civilian enrollments cannot be accepted. Civilian enrollments often are the margin that make a center economically viable.

(4) A doctoral program in Education was not approved for opening in Brussels (although the same program has been conducted successfully in West Germany for five years). About half of the students desiring the program were civilian DOD teachers who could not enroll because of the two-year rule.

c. The additional administrative burden placed on the universities by the recent law is excessive.

(1) It is now necessary to have certifying officials and administrators at off-campus locations in the continental United States. In the past, we had one on-campus VA office dealing with one VA Regional Office. Now we have many individuals dealing with several regional offices. It is hard for us to see how the veteran can benefit from such a situation, since overall administrative control is much more difficult.

(2) Schools are forced to evaluate graduation requirements every term for veterans, whereas they perform this evaluation function only once or twice during the attendance of all other students. (Required by Appendix O of DVA Circular 20-76-84).

(3) Thousands of hours have been spent and are being spent by university administrative personnel in attempting to respond correctly to the requirements of the law.

(4) Some universities, like the University of Maryland, have had problems collecting tuition for courses taken before December 1, 1976, which was the effective date for the amendments to the law prohibiting the use of the power of attorney.

2. Recommendations:

a. If it is deemed important that a given percentage of students in any particular university's program should not be financially supported by VA educational benefits, we argue that adequate control would be present if the institution's overall population met a percentage figure (35% VA maximum, for example). We believe that it is an unreasonable and unnecessary restriction to apply the percentage figure to each branch facility, especially if the same academic programs are offered on the Main Campus.

b. The two-year rule should be modified so that programs which have been offered on the home campus for two years can be offered off-campus without having veterans wait two years at each center before being eligible for veterans' benefits.

c. Abuses by students: The newly adopted procedures that abolish prepayment and under which advances are provided only to veterans requesting them will be effective in eliminating abuses by veterans. Also, we suggest the adoption of a monthly system of certification by the veteran to the fact that he is still enrolled and is making satisfactory progress.

d. Abuses by institutions: Programs offered under contract with the military services are already approved by commanders and supervised by the

> education officers of the bases. These education officials generally are very knowledgeable about the reputation of the school invited to conduct courses. Although screening by DOD education officers might not be available for off-base offerings, quality control is maintained through strict adherence to the principle of independent accreditation and through the aggressive activities on behalf of quality now being pursued by the Council on Postsecondary Accreditation and the regional accrediting associations. Accreditation standards should be strict and closely monitored. We believe these controls offer adequate safeguards.

I would like to close by stressing our agreement with the Congress' effort to curb abuses of the law superseded by P.L. 94-502. We believe, however, that changes can be made in the law which would curb the abuses and still not unduly penalize veterans who have qualified for educational benefits, nor universities that provide quality programs.

Thank you very much.

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5/28/77

STATEMENT OF PAUL E. HADLEY, ACADEMIC VICE PRESIDENT, UNIVERSITY OF SOUTHERN CALIFORNIA, FOR NATIONAL UNIVERSITY EXTENSION ASSOCIATION

Mr. HADLEY. Thank you, Mr. Chairman. I am here this morning not only as the representative of a large independent university, but as the immediate past president of the National University Extension Association. This is an organization of 250 postsecondary institutions including public, independent, community colleges, a broad cross section.

My special role will be to discuss the Federal support of extension and continuing education, and I would like to encompass some remarks about the GI bill in this discussion.

NUEA supports and indeed participated in the formulation of the University of Notre Dame report, "The Learning Society." Just two sentences which are heavy but meaningful to me, "Lifelong learning should be guided by public policies that encourage the systematic integration of learning opportunities with the needs of people at different stages of life. The integration of learning with life and careers cannot be effectively accomplished on an ad hoc basis dependent on a person's ability to pay or solely on self-interest."

The National University Extension Association has published a brochure, "Public Policy Proposals of the National University Extension Association." If it should be your judgment, we would be most pleased to have it a part of the record of these proceedings.

Mr. SIMON. If you would give one to each of us.

[Document referred to appears at end of testimony.]

Mr. HADLEY. Each of you, I believe, has received one. We have additional copies already. Thank you. I will bring them up at the end of my testimony, if I may.

I am sure that the committee is aware of the dramatically changing composition of the postsecondary student population. Demographically, more than half of the student population is now what we used to call adult, over the age of 24, which I believe Congressman Quie used, and more than half of them are now part-time students.

This rapidly adjusting distribution of students requires, we believe, Mr. Chairman, the kind of long-range and deep consideration which you have indicated your committee will be engaging in, and we are certainly pleased and eager to be of any appropriate assistance.

The data that we have on the objectives and reasons for participation on the part of the part-time student indicate that for the most the reasons are work-related, to improve their performance in their present jobs and to prepare for other jobs.

Historically, and even today, most of these people are paying the full cost of their education, and we would not presume to change that for those who are able to pay. No one knows how many more adults would become part-time students if it were not for the financial barriers imposed upon them. We know that there are millions of unemployed and misemployed people who did not finish their postsecondary education, who were not able to go beyond the high school level. We know that many of these people have outstanding capabilities that are underutilized in their present jobs. We know that many of them have skills which have become obsolete. We know that there are women needing education for return to the work force, older people who would like to develop new roles in society and whose wisdom we need, and people desiring more knowledge to enable them to be better parents and better citizens.

We think it is in the national interest to provide financial assistance and incentives to this broad class of people. In the NUEA policy statement, we have tried to identify a few of the groups who should, in our judgment, receive assistance—adult part-time learners with financial barriers, educational institutions to develop and strengthen their long-range competencies for delivering continuing education/lifelong learning programs; recurrent, continuing education to keep the employed individuals up to date with changing times and to meet the changing social needs of our society.

Assistance to these students should be channeled not to supplant existing systems but to supplement those in which individuals and their industries or other employing institutions help them to go to school.

We think it is important that the individual be able to exercise his personal self-determination as to what his vocational or professional future may be. I would certainly commend the committee for its desire to engage in such long-range studies as the impact of present tax structure and the need, perhaps, for revisions of the tax structure to support such programs.

We welcome the comment that was made by Congressman Quie this morning that there should be a more general approach to all kinds of student aid, including, as I shall try to say in a few minutes, student aid to veterans.

The kind of continuity that we implore you to consider has been demonstrated over many years by the highly successful agricultural extension services. Formats change, social needs change. The needs of people in our society are, of course, somewhat different from those in 19th century agriculture, but there are many formats out of the continuity of this experience which are important.

We certainly commend the Congress for several amendments to the Higher Education Act which were passed by the 94th Congress, and we certainly commend the 95th Congress for passing title V of Senate bill 36 which will provide an extension service to help people acquire knowledge for saving energy, certainly a high-priority need.

We note the establishment of a bureau for student financial assistance and would suggest, as I have mentioned already, that it might very well include some concern for aid to veterans. We note that title I(B) of the Higher Education Act as passed by the 94th Congress would provide for beginning studies of coordination mechanisms. I would hope that that title might be funded.

We note that BEOG's and SEOG's could serve needy students who are studying full time or nearly full time. But we find very little assistance yet available for employed students with family responsibilities and limited incomes who want to study on a part-time basis. If titles I(A) and X of the Higher Education Act as amended by the 94th Congress were fully funded, these inconsistencies might be partially corrected.

We note that there are tax benefits for employed persons to obtain education to do better on their present jobs, but there are very few benefits for an individual to study to prepare for a better job.

With reference to training programs for the unemployed, there are many kinds of occupations that the highly laudable CETA Act does not cover.

Now, I would like to devote the rest of my time to some of the concerns of Public Law 94-502 and would certainly echo some of the things that both President Magrath and President Hardin have mentioned. Certainly we agree with them and with Congressman Mottl's strong statement that there were many abuses. We certainly concur that abuses must be corrected, and I would hope my university and others are fully in accordance with that. I might say that in preparing our remarks today, we have coordinated on this issue with Boston University, the University of Maryland, the University of Oklahoma, and Los Angeles Community College indicating that the interest of two independent institutions and those of two major State universities and a community college system are not inharmonious in our concerns.

The University of Southern California has been providing off-campus degree programs almost entirely on the graduate level since 1963. We believe the programs have been of good quality and that we have been providing a needed service.

More damaging, of course, than the financial and administrative burdens that face us and our colleagues is the elimination of opportunities, as President Magrath has stated, for deserving veterans. The future of our institutions certainly does not rest on the success or failure of our off-campus efforts. About 4 percent of my university's tuition budget comes from students on veterans benefits, but the future of many current and potential students, veterans, and nonveterans, may be at stake if off-campus opportunities are severely reduced or eliminated.

We are certainly grateful, Congressman Simon, and I know Congresswoman Heckler and Congressman Wolff are also working on new legislation. We are grateful for that. Frankly, we are frightened as to timing. Unless some more extensive waivers or extension of the application of Public Law 94-502 are given, we will not be able to save those students nor maintain the services which we are now trying to render.

Our concern as to the adverse features of the present legislation may be grouped under two or perhaps three headings. We are concerned by the 85-15 rule, not at its objective, which was to assure an adequate percentage, Congressman Cornell, of civilians in a program to prevent a veteran, particularly on a remote military base, from being ripped off by an inadequate, perhaps even illegitimate, educational program. But the fine print of the 85-15 law actually in many cases deprives the veterans themselves of the opportunity to participate. I could illustrate very briefly. If we have a program that now has its percentage of veteran students, we are unable to admit nonveteran students to those programs because we destroy the balance which is necessary. And a civilian student, who is not a veteran, is often not permitted to enter one of these classes.

We are also, of course, concerned by the 2 year rule. And, again, lauding the intent to require that programs be well established, not cooked up simply to get veterans dollars. It seems to me, again, that the law really frustrates its own purposes. Again, may I give an illustration? Our university has been offering a doctorate program in education at Karlsruhe, in West Germany for 5 years. It is exactly the same program, same courses, and in this case, the same professor who teaches our doctorate of education degree program on the main campus. We have been forbidden by the State approving authority to open that same program in Brussels, 150 miles away, because in Brussels it would be regarded as new, even though it is very old and academically well established.

There are anomalies then that we will be forced to close some centers that are less than 2 years old and principally, again for financial reasons, because we will be unable to accept civilian registrations in these centers.

President Magrath has referred eloquently to the administrative costs and their effects. We suggest that the regulations under Public Law 94–502 might very well be referred to the Commission on Federal Paperwork. The cost to our universities really are quite incredible in the amount of reporting that we now have to do. In the past, we had one on campus VA office dealing with one regional VA office. Now we are dealing with many of them all over the country, each of them with its own individual interpretation of the law. We find similar inconsistencies and difficulties in dealing, in our case, with 14 State approving agencies each, again, with its own understanding.

We are forced to evaluate the graduation requirements every term for veterans. It has already been pointed out that for other students on various other kinds of civilian student aid benefits, this can be done more infrequently. Some of our colleagues, like the University of Maryland, are still trying to collect tuition which was owed by students last fall before the new bill became law.

In conclusion, I have just a few suggestions, recommendations, as to possible change. We suggest the 35-percent rule now available to a university; namely that if you have 35-percent civilians, there will be no difficulties. We believe that that law or that feature should be applied worldwide and not just on the main campus. When we open a new program in Kwajalein, for example, it is impossible for us to think of having any particular given precentage of civilians. Yet that might be the very same program we are offering elsewhere.

Certainly we agree there have been abuses by students and there must, indeed, be corrections. We suggest that a veteran might very well be required to certify monthly that he is in class and that universities might be required, as we do for HEW, National Science Foundation, and other programs, to have an annual certification as to the fact the student is present and is making normal academic progress toward his degree.

We are concerned with this whole issue of standards of student progress and concerned that the appropriate roles of the Veterans' Administration, the State approving authorities, and universities be delineated. We agree that it is the role of the State to authorize funds and to provide that the programs have solid management. We think it is the duty of the educational institutions to guarantee academic quality. I would refer to the later part of the statement from the seven educational institutions with reference to the sanctity of educational accreditation. I would especially call to your attention the offer of the Council on Postsecondary Accreditation to send a task force into any military or nonmilitary situation in which there is any question at all as to the quality of the academic program. A base educational office does not sign a contract or a memorandum of agreement with an educational institution unless he believes that the quality is good. Sometimes the quality deteriorates. We agree it should be monitored. And, again, we are grateful for this opportunity to appear, Mr. Chairman.

Mr. **Ford.** Mr. Hadley, I have another question, but before that you talked about something another committee of this committee has worked on in the past. The doctorate program that you have had at Karlsruhe, I assume, is a follow-on to a similar program that was tried by the University of Maryland about 8 or 10 years ago. This committee, in exercising oversight over the Department of Defense school system, became concerned a number of years ago with the complaints that people, who were recruited into this system as teachers, found that they did not have the opportunity, by reason of being stationed outside of the United States, to continue their education and qualify for promotion into the administrative positions that frequently come open. There was a very strong demand from the teachers which we recognized to be in the best interest of developing the professionalism of that system which we worked very diligently to insulate from a military organization. We have made them as different from the rest of the civilian military employees as possible, starting back with Mo Udall's legislation in 1965 to set up a different salary system and so on.

It became a serious issue between the teachers when they were given recognition under an executive order through, I believe, it is the education association that represents the teachers in the European theater, and there was a great deal of pain and effort that went into establishing this program so that there would be access to it by the teachers with the whole idea that you will be able to have a natural progression of people with overseas expertise moving up into the administrative positions instead of the previous practice of continuing recruiting friends who were retiring as administrators in the United States and going overseas for a couple of years.

I am sure Mr. Dent's committee would like very much to have you expand upon the problems you are having with that, and we would like to stick our nose into that to some extent to see if we could not help straighten out——

Mr. **Hadley.** We will be grateful for that opportunity.

Mr. **Ford.** It happens, as a matter of fact, one of the new administrators in Karlsruhe was, in those days, here with the Defense Department in Washington and traveled with our committee on numerous occasions and was one of the people who called this to our attention. He was a great supporter of the idea. He had access to doctoral programs here at American University which put him in position for their promotion. He is very sensitive to the people who are looking for it out there. We might be able to help if you get into that with us.

Mr. **Hadley.** Our program was worked out with Dr. Joseph Mason, who was at that time the Director of USDISA. We now have it in seven locations in Europe and in Asia. We may have just about reached our capacity. We use only full campus resident faculty for these programs, and we have stretched ourselves pretty thin. But when we are able to recognize a special need, as we thought we did in Brussels, it is disappointing not being able to handle it.

Mr. **Ford.** Dr. Mason's original concept was that it would be a program, located at Karlsruhe, accessible to the in-house staff at

Karlsruhe, and that is what caused the whole angry uprising over there. There have been at least two statements of policy coming through the Secretary of Defense at the request of this committee and others to force him to broaden his concept so that would be available in a multiple-setting arrangement and not be subject to the criticism that only those people closest to Dr. Mason would have access to——

Mr. **Hadley**. There are new administrations there and in the Pacific, and I hope we have overcome the problems to which you referred and which you are quite accurate did exist.

Mr. **Ford**. It seems like we are now going against the policy that took a long time to establish by now saying we throw a roadblock in front of your expanding it to new locations.

For the record, Mr. Hadley, you made mention of this in your statement in passing. Would you like to comment in a specific way on the VA standards of progress vis-a-vis the proposed standard regulations recently published by the Office of Education with the Office of Education leaving the standards to institutional discretion? I guess we are really talking about the appendix O business, and so on.

Mr. **Hadley**. We find the overly frequent reporting to be very difficult and time consuming paperwork. Personally I have somewhat mixed feeling about the type of reporting which we make to HEW. Honestly, I do not think it is good enough. We only have to report there that the students are on campus. Earlier there were references made to the World War II GI bill in which standards of progress spaced out at suitable intervals, like 1 year, had to testify as to something as to accomplishment. We would have no objection as to that. It is the frequency which often does not coincide with terms. It really provides, we think, almost nothing but paperwork and files to accomplish the end of monitoring academic progress. Am I answering your question?

Mr. **Ford**. Yes.

Mr. **Cornell**. Mr. Chairman, may I interrupt?

I think one of the problems about this whole question of standards of progress is the variety we find in our educational institutions. Some use the unit system, others use the course system, some use the quarterly, or the trimester, or semester. That is where I think you have great difficulty in trying to work out any type of a standardized-type program. And so during the hearings that our Subcommittee on Veterans Education have been holding, I have emphasized, as I mentioned before, and I noted in your statement you mentioned that, too, of leaving the responsibility up to the veteran. I wonder how much of a burden it would be on educational institutions if there was some type of a standardized program that the veteran would have to give evidence that he was making satisfactory progress if the institution could prove this. Do you think that is possible? In other words, it could be stamped or certified.

Mr. **Hadley**. I had not thought through the paperwork, but it seems to me a relatively simple form, perhaps once a semester, accompanying the completion of the semester, or term, or whatever it is, following the completion of a course. It would not be difficult for the veteran to fill out a form stating I have done this. If the university supports this, it would seem to me we have adequate protection as well as adequate evidence of perjury if either of us is lying about it.

Mr. Magrath. Mr. Chairman, may I make a comment on that? You are absolutely right, we are dealing with incredible variations in our academic institutions, and that is not going to change. That diversity is a good thing. We do have a number of Federal programs that do provide aid to students in various settings, and this subcommittee, of course, deals very principally with that. I am sure there are some abuses, and that is an argument to look into it. There is a point in which you invest so much effort in correcting the abuse that you are spending more money than you are really saving.

I would suggest that with regard to accredited institutions that are legitimate educational institutions whose degrees mean somehing—and I think that is the vast majority with the exception of some fly-by-night types of institutions—we can rely on the fact that they are accredited, reasonable institutions where you just don't go there and hang around and get a degree after a period of time. If you are concerned about putting some responsibility on the individual student who is a veteran, there is perhaps an outrageously simple thing that could be done that would be part of a program. That is, the veteran does receive a check that has to be endorsed. There could be a requirement every year—this is off the top of my head—the endorsement on the check would indicate a statement by the veteran that he is an enrolled student at the University of Minnesota making acceptable progress because he is still an enrolled student. That does put some responsibility on the individual student and there could even theoretically be a liability there if that particular student is acting fraudulently. There has got to be a simple way to do it. That ain't what we got now.

Mr. Cornell. I think it is a little too simple, frankly, from the hearings of what we had about $1 billion ripoff. I don't think it would be adequate to have an annual certification of the veteran, at least not from the experiences of the past. It is true, of course, most of these institutions were of a somewhat fly-by-night nature. We had State institutions that were certifying that the student was in good standing and it wasn't true at all. The students were not even there attending classes.

I have been a teacher for 34 years, 27 on the postsecondary level, and I can see the problems involved. I never took class attendance. I presumed if students were going to be able to pass my courses, they would have to be there. I see the problems having to certify that the student was there at class for a certain number of times. I can see the difficulty of it. I would like to find some method of putting the responsibility on the individual rather than on the institution. That is the main thing.

Mr. Magrath. Mr. Chairman, Representative Cornell, I threw that in as once a year. From my point of view, I don't have any objection to the veteran on the endorsement of a check, after all, indicating his statement that he is a student in good standing. At the University of Minnesota, for instance, we do not take class attendance. We have complied with the current regulations of the State approving agency. We have gone to incredible expense. It is costing money that we need for other educational purposes. We don't take attendance. I represent the largest single campus in the United States. We have an enrollment of 64,000 students on the Twin Cities campus, that is day-time and evening-time students. Taking class attendance, with the exception of a few institutions, went the way of so-called parietal rules and a lot of things quite a long time ago. We do assume that if you are not in class, you are going to pay the price academically and we flunk out a lot of students at the University of Minnesota. I think that is true for the other institutions that are at this table. The system that is being devised to deal with the abuse is causing more problems that are not necessary and that I do not think anybody really desires. I agree with all the rhetoric that we should correct the abuses. I think we all have gotten the message to the extent that my institution has been partially culpable. I will not admit very much because I don't think we were. I will admit we have some cases of abuse. I am sure we have some cases of abuse in any program that a university as large as mine represents. But believe me, we have built ourselves to deal with a legitimate problem. I don't think Congress was wrong in responding. I think we have created another problem. I really want to reiterate some of the things we said to each other earlier, that we ought to try to work on this together. But right now we have lost over 1,000 students who are making satisfactory progress in what I have to say is one of the very respectable American universities, the University of Minnesota. Those students ought not to have had their benefits terminated any more than students who are under BEOG, SEOG, or any other Federal program. That is what bothers me right now.

Mr. Cornell. If I might follow up on that, what were the causes for termination of these students you mentioned?

Mr. Magrath. Mr. Chairman, Representative Cornell, my student affairs officers estimate that we had approximately 40 to 50, let me say 60, students under the GI bill who were not legitimately functioning as students. That is out of a total veteran's enrollment of a year or two ago of about 5,000 students at the University of Minnesota.

I have a note that was given to me that perhaps ought to be pursued at some point that there is reference made to the billion dollar ripoff. I'm told the GAO report says 80 to 90 percent of that ripoff, or unjustified expenditure, was recovered; 80 or 90 percent of that has been recovered. I am not challenging what you are saying. Obviously there was a problem. We all agree on that. I am not sure that $1 billion figure, as an actual ripoff, is a legitimate figure. In a sense that doesn't deal with the problem we are now facing which is the regulations which are extraordinary.

Mr. Cornell. Even the amount that was recovered doesn't justify continuing a system where it is possible——

Mr. Magrath. Yes, sir; I agree with that. I don't think we are arguing about that.

Mr. Cornell. If I might, just one more question. When you are talking about the 85–15 rule and the difficulties, we were told by the Veterans' Administration people that appeared before our subcommittee that they readily grant waivers if they are requested.

Mr. Hadley. We have not yet been having any successes on that nature.

Mr. Cornell. Are you aware that applications have been made for waivers?

Mr. Hadley. Yes, and we have made one also. We have requested, for example, that all our European programs be treated as one center. We have had no acknowledgement of our request, although I understand the University of Maryland is operating on the principle that all of their European programs are indeed one center. It seems to me logical.

We have an administration in Europe. We have some very broad understanding of the enrollments we have at the several bases in Europe, and we think it would be an honest way to count.

On the other hand, we do not see any particular harm in counting the entire university either by school or all of the schools that offer off-campus programs. As long as there is some rational means of preventing us, as well as any other institution, from conducting something that is unworthy just because there is a group of isolated students out there somewhere that cannot have a choice.

Mr. **CORNELL.** I certainly agree with you. We had cases of barber schools and other schools that were set up like that, just a fly by night thing in order to milk the money they get out of it. But we were left to understand by the Veterans' Administration's people that they readily grant waivers to reputable institutions.

Mr. **HADLEY.** We like to think so.

Mr. **CORNELL.** Thank you.

Mr. **FORD.** I am looking at a Library of Congress research service document that was prepared on veterans educational benefits from 1944 to 1976 which says,

> One unintended result of the GI Bill was a profusion of vocational schools set up specifically to participate in the GI Bill. By the late 1940's the poor quality training in many of these schools had become a major issue. So had the fact many veterans were using their benefits to learn dancing, bartending, auctioneering and other such pursuits.

I suppose in the late 1940's those were not acceptable pursuits.

> After 1948, these courses were ruled unacceptable, and schools were required to have been in operation at least one year (later changed to 2) and to have enrolled at least 15 percent nonveteran students before receiving any money under the GI Bill.

So the concept we are talking about came to light here in a totally different time, and it seems like after all these years somebody ought to know whether that any longer is a genuine threat. One of the problems I have with both the 2-year rule and the 15-percent rule is that I have heard, as Mr. Cornell has, there are waivers being granted under some circumstances and not being granted under others. And there is no way to tell whether you are going to get a waiver or not. One regional office grants a waiver and under the same circumstances another regional office doesn't. It has even been alleged in my presence what you do is file a lawsuit and then the waiver is granted because they don't want to fight the issue out. That is an unfortunate set of circumstances, and you might help us, those of you on this panel, if you could particularize the way in which both the 2-year rule and the 15-percent rule are causing the problems that are being described here in general terms with an idea of having the VA take a look at whether or not they couldn't, short of legislation, devise a more uniform way of applying not only the rule but their waiver authority. Presumably they have the authority to waive either of these requirements with respect to a particular course or school. And if you go back and realize what they were talking about originally in the 2-year rule was the existence of the school rather than the existence of the course or program, then it is very difficult to understand how we got to a rule that says if you develop a new program on a campus which has a special attraction to veteran students, such as the Wayne University case, that you hold them to the 2-year rule. It literally says that a veteran, as it has been interpreted to me, cannot participate in anything new even if it is a new way to study the Bible. It is not a new concept on the campus, but it may be a new course and the veteran is blocked out. And without the veteran student, you may block out the program because they may make up the bulk of the people that would be attracted to the course and support it.

We have the Veterans' Administration coming o nthe 16th. I think you could be helpful, if, before they appear, you would submit to us the specifics of these kinds of problems. I want to tell you that we are going to submit to Mr. Cleland and the staff, before his appearance, all the statements that we have here today and before today with the specific criticism of the VA so there can be no question that anybody blindsided him or that we are trying to play games with him. We would like to work with him.

Mr. MAGRATH. We will make those submissions. I agree very much with the comments that Mr. Simon and Mr. Mottl and Mr. Cornell have made explicitly and implicitly about working constructively if we can do it. And I don't want to be a abrasive, but the higher education associations are under strong pressure from colleges and university presidents such as myself, and have been trying for 4 months to get a meeting with Mr. Cleland to discuss some of these issues, such as the inconsistencies we find among State approving agencies and the like. It has been 4 months since we initiated specific requests for meetings with the VA Administrator. I realize everybody is busy. That is often my plight and it is for everybody participating in this hearing this morning. But this is an issue that has been going on for quite awhile. It is a very significant issue. It affects thousands and thousands of students, and I would hope we could have some encouragement that at least we can sit down and have some straight talk not only with this important subcommittee but with the VA. We have not had that yet. We have had no response to our communications.

Mr. HADLEY. After Dr. Lloyd Davis of the National University Extension Association appeared before Congressman Mottl's committee the Congressman asked five very penetrating questions and we were permitted to supply additional evidence in answer to those questions. We would be appreciative if we might hand your committee also copies of those responses.

Mr. FORD. We would like to have them.

Mr. HADLEY. They contain some data.

Mr. CORNELL. Might I also suggest, Mr. Chairman, it would be worthwhile to have some information about the operation of the VCIP program on college campuses. I understand the great difficulties in the past has been the lack of cooperation of the Veterans Administration and the Office of Education in regard to these programs. We tried to legislate that, force them to cooperate, so to speak, but failed to get it in the legislation. But it would help to know how they are operating on campuses.

Mr. QUIE. Will you yield?

Mr. FORD. Mr. Quie.

Mr. Quie. Mr. Hadley, do you know to what extent new programs which only veterans will participate in exist? That is one thing that bothers me, using your example, why you teach the Bible different to a veteran than nonveteran?

Mr. Ford. The course is not designed only for the veteran. The problem is everybody in the school except the veteran can go to a new course.

Mr. Quie. I recognize that. But you seem like you also have a problem with 15 percent nonveteran. It seems to me what you want to do is devise new programs for just programs. Now what makes veterans so unique that nobody else would be interested in a program that they would have?

Mr. Hadley. Frequently there are special kinds of management problems which are peculiar to the Armed Forces. For example, in the general area of logistics. Logistics is, of course, a recognized discipline, sometimes handled through schools of business, sometimes through schools of engineering and elsewhere. As the conditions of military forces overseas and at home change, there is need for the continual updating of information in that area. Other examples would be the health sciences area where there are special problems. We would suggest that a qualified university fully accredited using the expertise of its recognized departments, ought to be able to devise a program either leading toward a degree or perhaps even a certificate or nondegree oriented program to meet a special need, that would be quite legitimate.

Mr. Quie. I still don't understand why a person who is in the military who wants to study logistics has to be taught differently.

Mr. Hadley. In an effort to explain why there might be some peculiar need for the military, I would suggest that in a given military situation on a base there are management requirements, there are health requirements, there are other types of programs that are peculiar to that environment, and a good university, it seems to me, ought to be able to adapt, perhaps not always a degree, more frequently perhaps a nondegree or a special short course.

Mr. Quie. But those individuals are not veterans, are they? They are military personnel.

Mr. Hadley. Some do and some do not.

Mr. Simon. But you might, Al, for example have a paramedic—I am just trying to reach for something. In Illinois, we have talked for some time about licensing paramedics or some people who have worked as medics in the Army or Navy or the Air Force. They could come in for a special course that would be designed specifically for veterans, a new course where they could make themselves eligible for licensing as paramedics.

There are probably some other examples that do not occur to me. I can see where in an unusual situation this might be possible. Somehow we have to take care of USC and the University of Minnesota and schools like those represented here without just letting the fly-by-night barber college come along.

Mr. Quie. It seems that example is an excellent one, because there are a number of people who have gone through that training and served as paramedics. They naturally would not just be able to fit into the civilian medical field, but I know there are some schools. In fact, I believe the Mayo Clinic did have a program for giving them some initial program so they can move on as service paramedics as well.

That being the case, I don't see why there would be any difficulty of getting a waiver, getting the Congress, a committee in the Congress or some Congressman to help them.

Mr. Simon. It should not be difficult, except they cannot even get a meeting with the VA Administrator. He is brand new. My guess is you are going to have a meeting before he testifies, or immediately after he testifies.

Mr. Quie. Has this then been detailed for them and for us in that report you gave to the committee?

Mr. Hadley. I hope so. We will have to check it.

Mr. Quie. A great deal of the criticism I received is just fussing over whether there was exactly 15 percent or not, right on that line. But generally I would say that the program shouldn't or wouldn't be devised just for veterans.

Mr. Hadley. Seldom.

Mr. Ford. But that is not how the problem always arises. I think the case that is now in the court involving Wayne State is a classic textbook example of a variety of ways that you prevent somebody from doing something new. There came into being a recognition of the need for lifelong learning in the greater Detroit metropolitan area for people who, after 4 years of excessively high employment in the auto industry, were looking for different career alternatives. They had not been motivated to go to school, veterans and nonveterans, in their early twenties. There was employment available 8 years ago when they were looking for jobs and, they got what looked to be pertty good jobs and started with a family and so on.

After a period of time of either being laid off for a substantial part of the year or of being threatened by the fact everybody very close to them on a seniority list was laid off on a permanent basis, they decided to go back to school. And there was a big demand at Wayne for this.

I think the figures last spring were that out of 2,800 students participating in the program, some 2,000 of them turned out to be veterans.

Now, the program was not designed for veterans, but it happened, by the condition of the economy in that area, that the city-based institution was willing to try something different, and they undertook it. They are in trouble with the VA, because they don't have them come to the same campus. They use campus locations that are scattered all over southeastern Michigan. They use alternatives to classroom confrontation which the VA does not recognize as meeting their idea of the way a college ought to be run.

An interesting characteristic that goes with it is that, I think, out of the 2,800 students almost half of them are members of the UAW, which tells you something about the characteristics of the students who found their way back. These are factory workers who have access to college under circumstances that are unique enough so they can go to school and there is no other alternative open to them.

But the VA is now saying, "Wait a minute, this doesn't look like what we thought a college program ought to be." It is not one rule but a compounding of one rule on another with very little indication of a willingness to consider that this is a unique, new experiment.

At the same time, Al, that the people from the education community all over the country are coming in and writing articles about what a wonderful idea it is to meet what we have been telling them they ought to do.

Mr. Quie. We could give some institutions something like a Good Housekeeping seal——

Mr. Cornell. We probably increase the problem, too, by admitting the extension of using the GI bill for graduate education. Normally these classes are considerably smaller, and you could very well have 85 percent, or in excess of that, of veterans in such a course, which is just a regular course but exceeding it, because they are taking graduate work. That is what I brought up to the VA, and they said we readily grant, at least they gave me that impression, they readily grant waivers in such instances.

Mr. Ford. I would like to ask one question before we leave for this vote. No one here as yet mentioned another problem which the Congress is responsible for because it is not in the regulation, it is in the statute and that is the Buckley rule exemption which has recently come to my attention.

Mr. Quie and I are numbered among those who had minimum regard for the Buckley amendment when it got into the law, and we tried to modify it as best we could. The experience of having the ACLU and Senator Buckley on the same side was just overwhelming. But in the last Congress we added this language in Public Law 94–502:

> Notwithstanding any other provision of law, the records and accounts of educational institutions pertaining to eligible veterans or eligible persons who received educational assistance under this chapter or chapter 31, 32, 34 or 35 of this title, as well as the records of other students which the Administrator determines necessary to ascertain institutional compliance with the requirements of such chapters, shall be available for examination by duly authorized representatives of the Government.

This would make representatives of the Government under the aegis of the VA sort of super-snoopers with authority to do something that no one else can ask you to do.

This has only very recently come to my attention. Is the VA proceeding with this in any fashion that puts you in a position of saying to a parent, for example, we cannot disclose the grades that your son received last semester, a complaint I recently had, because of the Buckley rule then turning around and giving the same information on that student, even though he is not a veteran, to the Veterans Administration?

Mr. Magrath. I think the best thing would be if we were to submit to your subcommittee a statement on that. I have minimum enthusiasm for the Buckley amendment. Some of the changes in it have decreased my lack of enthusiasm a little bit. There is a problem because the VA policies require us to make available records and give access to records that is not allowed under the Buckley amendment, and we have a classic illustration between conflict of Federal regulations as they are perceived in the field.

I think the issue is a very delicate and sensitive one. I would suggest the best course of action would be for our associations to submit a brief statement to you for examination. It is a technical matter that I think does deserve attention.

Mr. **Ford**. If we could have something on it as soon as possible. We have the VA coming up on the 16th. It would be helpful if we gave them advance notice of that concern before we discuss it with them.

Mr. **Quie**. Mr. Chairman, in the little time we have left, one of the things I would like to pursue further is what you raise about basic research. I think added to that we do tend to follow fads as well. We give tremendous amounts of money to cancer research. As you indicate, one of the problems now with cancer research is that we haven't got that basic work done that is needed in order to produce the kind of result the Congress expects.

Mr. **Magrath**. I would hope we could have more dialogue on that. It is a major issue.

Mr. **Quie**. It surely is.

Another thing that bothers me about it, if we do have generation of individuals, we are producing researchers, what is it going to take to crank up again?

Mr. **Magrath**. A hell of a lot more money than we are spending now.

Mr. **Quie**. So what I wanted to add is, how do we make those decisions? In a free society we tend to wait until there is a crisis before we do something about it. A good example: attempting to do something with the energy crunch before it actually hits us and see if we can or not. I don't think our track record is very good but I think there are possibilities of change in the energy field that we don't have in the research area.

I would like to point out two other things, I think Chancellor Lyons raised one, namely, the one-half cost on BEOG. I just want to tell you that I am not a believer yet because it is my understanding you can use SEOG, NDSL, college work study, and GSL.

Going back again, using the example of a community college, if a person is entitled to have $1,800 and $300 tuition, it hardly seems like it would be the wise to use BEOG for that total amount.

The second point I am not a believer on relates to public institutions. I think people ought to know what the committee doesn't agree with them on so you can work on that. I don't feel that the Federal Government has a particular responsibility for the financial well-being of that institution because the States are all in better financial shape than the Federal Government, except probably the State of New York, because they have a problem there with one of the cities.

I don't want to assume that responsibility on the part of the Federal Government. I just throw those in.

Mr. **Lyons**. Congressman, I guess to clarify the points I was attempting to make, I guess what I was making a plea for was a continuation of these other programs. I think that these programs are significant parts of the whole financial aid without regard to the one-half of cost matter with regard to BEOG.

On the other point, I come back to my original statement that I don't think it is so much a matter of supporting public institutions. We are talking about providing education opportunity to young people who happen to choose to go to a public institution, and we feel that students ought to have that kind of choice to decide whether they want to go to a public or independent institution.

It is a matter of providing opportunities for the young people to be supported by aid programs to go to the institution of their choice.

Mr. **Ford**. I want to apologize for closing the hearing on that note. We do have our higher education technical amendments on the floor.

Mr. **Simon**. If I may interrupt the chairman. I have questions I am going to direct to you gentlemen by mail.

Mr. **Ford**. Gentlemen, thank you very much.

The committee will stand in recess subject to call of the Chair.

[Whereupon, at 12:30 p.m. the committee was recessed to reconvene at the call of the Chair.]

[Materials submitted for inclusion in the record follow:]

BACKGROUND STATEMENT

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

JUNE 1, 1977

Submitted By

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Jesuit Colleges and Universities
National Association of Independent Colleges and Universities
National Association of State Universities and Land-Grant Colleges

This document provides general background information for the oversight hearings on federal student assistance programs which have been scheduled by the Subcommittee on Postsecondary Education of the House Committee on Education and Labor. In the months ahead, we expect that the Subcommittee will want to solicit the various perspectives of every sector of postsecondary education, including those of technical institutes, proprietary institutions, state colleges, research universities, small independent colleges (including sectarian institutions and the traditional black institutions), and land-grant institutions. In the following pages, however, we call attention to some of the general perceptions of the community about federal student assistance programs, the stresses on the system which affect the goal of expanding postsecondary opportunities, and major ways in which the federal role needs to be improved:

I. Overview of Federal Student Assistance

--With more than 11 million students enrolled in American colleges and universities in the mid-1970's higher education today is more accessible than at any other period of the nation's history. With the expansion of the two-year community college sector in the last two decades, the majority of the United States population now lives within commuting distance of a college. About one-third of the 3,000 institutions are community colleges, half are four-year colleges, and one-sixth are research universities. About half are "public" and half are "private", together employing 650,000 teaching faculty and comprising not only a major national resource but a $45 billion enterprise representing 2.7 percent of GNP.

--Only half of all college students now fall into the "typical" 18-21 age group; 10 percent are over 35 years old and 40 percent attend on a part-time basis, and institutions are increasingly seeking to meet the special needs of these growing enrollments of part-time and non-degree credit students.

--Student assistance is a major need in all institutions and at all academic levels of higher education. In 1975-76, 61 percent of dependent students 18 to 24 came from families making less than $20,000; 21 percent from families making less than $10,000. Even though public institutions enroll about seven out of ten students, both the public and private sectors enroll approximately the same proportion of low-, middle-, and high-income students. Students from families with incomes below $20,000 comprise 63 percent of public and 56 percent of private enrollments.

--To finance their education, students receive help from a variety of federal, state, institutional, and other private sources, but reliance on parental contributions remains the most common method of paying educational expenses.

Two-thirds of all freshmen receive some help from their parents, who pay 43 percent of the total student charges. About 26 percent of all undergraduate students, and 23 percent of graduate students in scientific fields, receive some form of federal student assistance.

--Three federal agencies provide a total of $8 billion to help students meet their postsecondary costs. In 1977-78, the Veterans Administration will pay $3.75 billion in educational benefits to veterans attending institutions of postsecondary education; the Office of Education will provide $3.3 billion for need-based grants and loans, plus a federal guarantee on loans of convenience; and the Social Security Administration will pay $1.265 billion in educational benefits to dependents of retired, disabled, or deceased Social Security annuitants. Other agencies, including NSF and NIH, provide relatively small amounts of assistance in the form of fellowships and traineeships to graduate students and research awards to undergraduate students.

II. U.S. Office of Education Programs

--In academic year 1976-77 the OE grant, direct loan, and work-study programs assisted 1.9 million students in colleges and universities. Of these, 1.4 million received a Basic Educational Opportunity Grant alone or in combination with other aid, and another 500,000 received assistance from only campus-based programs (Supplemental Educational Opportunity Grants, National Direct Student Loans and/or College Work-Study). An additional 600,000 students received a federally guaranteed loan.

--The OE need-based student aid programs serve a wide clientele, from low- through middle-income students. While the campus-based programs provide supplemental aid for many BEOG recipients, they assist another large group of students above the BEOG family income level, with the largest proportion of that assistance being self-help (loans or work-study). Three-fourths of the 1976-77 freshmen who received OE need-based aid received a BEOG-based award--that is, they received only a BEOG or a BEOG plus one or more of the three campus-based programs. The median income for these students was $9,656. In contrast, the remaining 25 percent of OE-aided freshmen received awards only from the campus-based programs, and had median incomes of $15,658.

III. Stresses on the System

--With the growth of federal student assistance programs in recent years, a simplistic notion has gained currency that the federal role should be limited exclusively to a "student aid strategy", posing an either/or choice between student aid and institutional support. The higher education community views both as part of the same stream of education funding: student aid is used to help meet the costs of attending institutions, and institutional aid is used to help improve the education offered to students and keep their charges down. Sole reliance on the student aid strategy will not address the need to maintain and strengthen the entire system of postsecondary education.

--The inadequacy of the student aid strategy is exacerbated by the fact that institutions put up large amounts of their own resources to supplement federal and state student assistance. In 1974-75, institutions provided almost as much from their own resources ($1.3 billion) as they received from the federal government for student assistance.

--In addition to the burdens placed on institutions in making up the deficit in student aid funds, federal formulas provide uneven support to states and institutions in distributing federal funds. Fifteen states receive 90-100 percent of their need-based student aid from the federal government while in others (notably Pennsylvania, Illinois, and New York) the federal contribution is less than 2 percent of need-based awards. Also institutions in some states receive less than half of their requirements for federal campus-based programs awards while a few states receive allotments covering their full requirements.

--The reduction of federal fellowship funds in recent years (over 50 percent between 1968 and 1972, from $262 million to $114 million) has created special problems for research institutions, which have had to increase substantially their institutional support to attract quality graduate students. This is of special concern because of underrepresentation of minorities and women in graduate programs. Even though blacks represent 11 percent of the population, they comprise less than 5 percent of graduate enrollments, and received only 4.2 percent of the doctorates awarded in 1976. (Special efforts are require to address this problem. We are gratified that the Administration has requested $3 million for an initial effort in this area in FY 78.) Likewise, women comprise 51 percent of the population, but in 1974 44 percent of graduate enrollment was female and only 21 percent of earned doctorates were awarded to women.

--Institutions have made determined efforts to avoid passing on to students the cost increases induced by inflation. Tuition and fees have not exceeded the rise in the Consumer Price Index during the 1970's.

In order to minimize tuition increases, institutions have had to defer plant maintenance and have been unable to provide faculty salary increases sufficient to keep pace with inflation. A recent ACE study documented that "progressive deterioration has been occurring in the financial condition of higher education as a whole in recent years."

--Energy costs are a specific example of costs which institutions have had to absorb: between FY 1973 and FY 1975 energy costs in higher education rose 70 percent, from $555 million to $944 million, or a per capita increase from $79 to $124 per student. This increase fell most heavily on institutions in the East, where energy costs rose 94 percent, but it significantly affected all parts of the country: the South (84 percent), the Midwest (48 percent), and the West (40 percent). Nationally, institutional current fund expenditures for energy rose from 2.7 percent to 3.6 percent, even while increased conservation efforts resulted in a 12 percent decrease in energy consumption. We estimate that a systematic effort to improve the energy efficiency of higher education facilities alone would cost $4 billion.

--In addition to inflation, important social legislation has had an increasing financial impact on higher education. We estimate that another $4 billion will be required to meet federal, state and local requirements for health and safety, and the modification of facilities to make them accessible to the handicapped will require in excess of $1 billion.

--Because birth rates in the mid-1960's did not keep pace with earlier patterns, the United States can expect a 12 percent decrease in the 18-year-old population from 1975 to 1985. Older and part-time students, who are interested not only in degree-credit programs but also in vocational retraining and life-enrichment, are posing new and legitimate challenges for the postsecondary community at the same time it is anticipating a decline in the traditional student age group. These changes will necessitate many adjustments on the part of institutions, such as reorienting academic programs, retraining faculty, and reallocating resources.

--These fiscal and demographic pressures lend increasing importance not only to the funding of federal student assistance programs, but to the funding of existing authorities for categorical support. The FY 1977 Education Division budget provides $320 million for such specific purposes as programs for the disadvantaged, aid to developing institutions, veterans cost of instruction, aid to land-grant colleges, specialized fellowships, aid to college libraries and undergraduate equipment, support for international area studies, and projects for the improvement of postsecondary education.

Some of these categorical programs should have increasing importance in the coming years, such as those to help institutions provide special services for disadvantaged students, and to reorient programs and establish new ones to meet the needs of older and part-time students. In addition, the construction and renovation authorities and library support programs can provide vital assistance as institutions struggle to maintain and improve facilities, without passing the necessary cost increases on to students and their parents.

IV. Needed Improvements in the Federal Role

--The complexity of the federal student assistance programs described above has received a great deal of attention in recent years. Congress took a number of steps to improve the internal management and coordination of USOE programs in the Education Amendments of 1976, although it is too early to judge their effectiveness because final regulations have not yet been implemented.

No changes have been made in the fundamental structure of existing programs, however. This means that the largest program of all, providing benefits to veteran students, operates entirely independently of the programs administered by the Office of Education. Recent changes in the law and regulations administered by the Veterans Administration, and the VA's insensitive interference in institutional policies and programs, have caused increasingly serious problems for colleges and universities throughout the country and called attention to the need for better coordination of all existing federal programs.

--Another large program, educational benefits under Social Security, also operates entirely independently of USOE aid programs. Attempts by the executive branch in recent years to eliminate or reduce these benefits provide further evidence of the need for a coordinated federal strategy for student assistance. Little consideration has been given to the potential impact of changes in the Social Security program or in VA benefits on the USOE programs, although modification of either program would inevitably have important consequences for the OE programs and their funding needs.

--Detailed recommendations for improving the delivery system of existing OE programs were made in July 1975 by the National Task Force on Student Aid Problems chaired by Francis Keppel. The Task Force proposed adoption of a uniform methodology to document financial need for Basic Grants and other need-based programs, adoption of common application forms for all programs, and other steps to improve their coordination and management.

--Improved management of existing OE programs is also the subject of a recent report by the Commission on Federal Paperwork, which highlights the enormous burden of paperwork and reporting which federal programs impose on colleges and universities. We have made specific recommendations to the Administration for easing this burden (see attached letter to President Carter from Roger W. Heyns), but no action has yet been taken.

--Further recommendations will soon be forthcoming from a study by the Student Financial Assistance Study Group established last fall by HEW Secretary David Mathews. The Study Group is now completing a final report which should receive careful consideration.

--Meanwhile the Office of Education under Commissioner Boyer has made encouraging steps toward better coordination. Placement of all OE student aid programs and the Health Professions Loan Program under a single Bureau of Student Financial Assistance was a useful start. More important was the announcement last week of a new, simplified application procedure which will accomplish one of the major goals of the Keppel Task Force: the use of a single form which students can use as an entry into Basic Grants and other OE programs, and state and private student aid programs.

--Despite these positive steps, we are concerned that the new Administration has too readily adopted the posture of the previous Administration that the existing structure of federal student aid can be simplified by abolishing one of the principal components, the National Direct Student Loan Program. The justification that the Guaranteed Student Loan Program is adequate to take up the slack is refuted by USOE's own reports that GSL loans declined 7 percent in FY 76 from the previous year's volume, and another two percent between July and December of 1976 below the same period of the previous year. Another OE study reveals that 70 percent of GSL lenders have no expectations of increasing their participation in the future. There is also a likelihood that some major lenders may pull out of the program entirely.

--Added to these signs of uncertainty in the Guaranteed Loan Program is clear evidence that Direct Loans provide important support for several populations not reached by other aid programs. Twenty percent of 1975 freshmen who received a Direct Loan did not receive any other federal need-based aid. Approximately half of NDSL funds went to students from families with incomes over $9,000--the middle-income sector that is so hard-pressed to meet the costs of college. Students at the traditionally black colleges are particularly dependent on NDSL funds: over one-third of 1975 freshmen at private black colleges were NDSL recipients. In addition, 12 percent of the funds assist graduate students, who depend mainly on loans and work-study to finance their education now that federal fellowships are no longer widely available.

--We are prepared to work with the Administration to consider desirable changes in existing programs, including consolidations which would improve the system. But because each of the existing programs, despite some overlap, serve distinct populations of need, we maintain that none of them can be eliminated without putting a more comprehensive, more adequately funded program in its place.

--We also maintain that one of the principal requirements for improving the existing system is certainty that the Basic Grant program will be funded at full entitlement. Although Congress has provided full funding since FY 1975, the Administration has proposed that the BEOG maximum be raised to $1,600 in FY 1978, instead of the $1,800 maximum authorized by Congress last fall. Only if the precedent of full funding is sustained with certainty from year to year can BEOGs establish their intended role as the foundation upon which all other student assistance is based.

--Another principal requirement is for balanced federal assistance to assure that support for the campus-based programs and SSIG rises along with BEOGs to meet the separate needs which those programs address. We are encouraged that Congress has recognized this requirement in its preliminary actions on the FY 1978 appropriations, even though the Administration recommended level-funding of these programs.

--Two of the new authorities established in the 1976 Amendments--the provisions for student information and for training of financial aid administrators--are closely related to the effectiveness of student aid programs. In particular, the per capita grants authorized for institutions are important to prepare additional information and provide additional staffing to meet student needs. So far, however, the Administration has not sought funds for these authorities.

--In view of the rising costs cited earlier, funding of general support such as authorized by the Education Amendments of 1972 remains a high priority for the college and university community. In Section 419 of the 1972 Act, Congress recognized a federal responsibility to help meet the costs of federally aided students, and provided a formula for cost-of-education grants to institutions. Although the Executive branch has never requested funding of this authority, we believe it is an essential component of a sound, long-range policy for federal support for higher education.

--A final fundamental point that must be borne in mind in considering improvements in federal programs is the sensitive and often misunderstood issue of institutional eligibility and accreditation. Almost 400 federal programs scattered through many different agencies provide money to postsecondary institutions, but there are no uniform policies, standards, or procedures to determine which institutions are eligible for these many programs.

Most congressional attention has been directed at the programs administered by the Office of Education. Eligibility for these programs is spelled out by statute and includes: (1) state authorization, (2) specific federal program requirements, and (3) some form of assurance as to minimum educational equality. All three elements are essential to an effective process of determining eligibility.

A number of states do not yet have adequate chartering or licensing laws or the necessary staff and funding to implement the laws. This problem is being addressed through the cooperative efforts of the Education Commission of the States, the Council on Postsecondary Accreditation, and OE's Division of Eligibility and Agency Evaluation.

GAO studies have pointed to numerous weaknesses in OE program operations, including most particularly a lack of effective communication and coordination among the various offices in OE and between OE and the appropriate state agencies and accrediting bodies. These are management problems which OE must resolve.

The third element of eligibility--minimum quality assurance--is probably the least understood. Congress wisely did not attempt to spell out the meaning of "educational quality", nor did Congress give OE authority to define or determine it. Congress has maintained, in effect, that if an institutions meets the requirements of voluntary, nongovernmental accreditation or some comparable process of evaluation, that would be an acceptable indication of educational quality. OE's responsibility is restricted to identifying accrediting bodies that serve as "reliable authorities as to quality of training."

Care must be taken to insure that OE does not improperly intrude upon the private nature of accreditation in carrying out its role. This is a particular danger when OE attempts to use the accreditation process to police compliance on behalf of federal and state agencies, or to dictate what constitutes a "fair and equitable" institutional policy for refund of tuition and fees. This undermines the critical role of private accrediting agencies in the triad of responsibilities for determining federal program eligibility. It is appropriate for federal and state governments to determine specific standards for the management of public funds, and to hold institutions accountable for these standards. But the prerogative for determining standards of educational quality must be maintained by the higher education community, acting voluntarily through its nongovernmental accrediting organizations.

There have been legitimate criticisms of the accreditation process. However, the higher education community is responding to these criticisms. The Council on Postsecondary Accreditation is taking steps to strengthen regional and national accrediting agencies and to develop specific policies to deal with problem areas. It is essential that the workings of the eligibility process sustain, and not subvert, the voluntary nongovernmental character of educational accreditation by recognizing that accrediting organizations are not regulatory bodies or quasi-governmental agencies, and by using them appropriately--as time-tested but not infallible mechanisms for arriving at peer judgments concerning educational quality.

ATTACHMENT

AMERICAN COUNCIL ON EDUCATION
ONE DUPONT CIRCLE
WASHINGTON, D. C. 20036

OFFICE OF THE PRESIDENT

March 25, 1977

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

At your meeting with representatives of the higher education community February 19, you asked for specific recommendations to reduce the federal regulatory and reporting burdens on higher education. This letter is our response to that request.

From the viewpoint of students and their parents throughout the country, the most important action the federal government can take is to improve the coordination and administration of student financial aid programs. The Department of Health, Education and Welfare has already taken an encouraging step in this direction with the reorganization recently announced by Secretary Califano, and we have met with Commissioner-designate Boyer to discuss further steps that are needed to simplify and improve student aid.

A special problem we call to your attention concerns the burden of new regulations being imposed by the Veterans Administration. These onerous regulations are making it difficult for veteran students to make use of their educational entitlements, and are seriously impinging on the authority of colleges and universities to maintain their own academic and administrative policies. Although some of these problems arise from the Veterans Education and Employment Assistance Act passed last fall, the Administrator has broad discretionary authority to waive many of its provisions. Exercise of this authority to simplify VA regulations would allow greater numbers of Vietnam veterans to use the educational entitlements they have earned, and relieve institutions from an increasingly oppressive regulatory burden.

While the solution of these problems will require extensive efforts over the coming months and years, there are a number of more specific regulatory issues which can be dealt with immediately by you or the Office of Management and Budget:

1. Federal enforcement of equal employment opportunity, civil rights, and affirmative action should be consolidated to end overlapping activities of the Department of Labor, HEW's Office for Civil Rights, the Internal Revenue Service, the Department of Justice, the U.S. Commission on Civil Rights, and the Equal Employment Opportunity Commission.

The Interagency Task Force on Higher Education Burden Reduction, in its December 14 report (attached), recommended that the President immediately appoint a group of higher education and agency representatives to submit an action plan within 90 days for the necessary administrative and legislative changes to achieve this objective. We are prepared with suggestions and recommendations for the consideration of such a group.

2. A single "cognizant agency" should be designated to assume regulatory and administrative responsibilities in several areas where a number of federal agencies now have jurisdiction.

The Interagency Task Force recommended that a single agency be identified for managing the federal interest in areas such as the protection of human subjects, care and use of laboratory animals, clean air, pure water, and patents. The Commission on Federal Paperwork has studied this topic intensively and has a report in preparation.

3. The Office of Management and Budget should reduce institutional record-keeping requirements entailed in federal time and effort reporting and documentation of cost sharing, and should seek removal of cost-sharing requirements in appropriations legislation. These steps have been recommended by the Interagency Task Force, the Commission on Federal Paperwork, and the Commission on Government Procurement.

4. OMB Circular A-110, recently promulgated to reduce institutional record-keeping and reporting for federal grants, should be modified as recommended by the Interagency Task Force to (a) extend its provisions to contracts for research, training, demonstration, and public service performed by colleges and universities, and (b) raise the minimum value of nonexpendable personal property purchases which must be accounted for from $300 to $1,000. The latter step, also recommended by the Commission on Federal Paperwork, would decrease by 66 percent the number of items institutions must keep records on, while retaining accountability for 84 percent of the total value of equipment.

5. The published recommendations of the Commission on Federal Paperwork for reducing reporting requirements of the Occupational Safety and Health Act of 1970 and the Employment Retirement Income Security Act of 1974 should be adopted.

6. The Interagency Task Force's recommendations should be adopted for improvement of data planning and collection; pretesting, screening, and sampling of data items involved in collection instruments; measuring the respondent burden and confirming the usefulness of data collected; and giving special attention to the workload imposed on small institutions (recommendations 1-13). Recommendations similar to these have also been made by the Commission on Federal Paperwork.

All of the numbered recommendations above have been developed by federal bodies on the basis of careful documentation and consultation with the higher education community. Many of them have also been endorsed at the staff level in the Office of Management and Budget. They only need to be translated into action.

We feel these steps would enable you to make prompt and significant progress in reducing the burdens of federal regulation on the nation's colleges and universities. We recognize that we share responsibility for this important effort, and stand ready to provide technical assistance, using the specialized knowledge of our constituent associations and member institutions across the country, to help your Administration achieve the objective.

Sincerely yours,

Roger W. Heyns

Enclosure
cc: Stuart Eizenstat
    Joseph A. Califano
    Max Cleland
    Ernest L. Boyer
    Mary F. Berry

NATIONAL ASSOCIATION OF
STATE UNIVERSITIES AND LAND-GRANT COLLEGES,
Washington, D.C., June 7, 1977.

Hon. WILLIAM FORD,
Chairman, Subcommittee on Postsecondary Education, House Committee on Education and Labor, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN FORD: On behalf of the membership of this Association, I am writing to extend our appreciation for the opportunity to testify on current concerns at your Subcommittee hearing of June 1. We were extremely pleased by all aspects of the hearing. We think that the issues of greatest moment to us, both those we face immediately and those we anticipate, were presented in the testimony of the witnesses, and that the questions of the Members of the Subcommittee helped expand on the interest in future investigation, analysis, and study by the Congress and by our own institutions.

Of special concern to us was the opportunity to delineate our concerns over the manner in which the Veterans Administration has conducted its affairs with our institutions over the past two years. As requested, under separate cover, we are sending to you information and comments on problems resulting from the "85/15" and "two-year" rules, the problems with the Buckley amendment, and other issues which were raised at the hearing.

I am taking advantage of this communication to suggest a question which we would like to hear addressed by the Veterans Administration when asked by the Chairman of a House Committee, since our asking the question for the past year has elicted no response whatsoever. We all have heard a great deal about abuses of veterans benefits. We are not quibbling with the argument that important abuses have been committed and a good deal of taxpayer's money was involved. That is not an issue. We are concerned when we hear Members of Congress, including Members of the Veterans Affairs Committee, stating as accepted dogma, that institutions of all kinds, private, public, four-year, two-year—each of these categories—has had its culprits guilty of deliberate violations of law and regulation.

We have asked the Veterans Administration to identify institutions which have been footloose with the law or VA regulations. We have stressed further, that peer pressure could be used to assure that any such institutions in our own membership, for example, would not continue to perpetuate such wrongs once they had been identified. In response, we have received statements concerning "matters still under adjudication," "processes still under way" and other forms of bureaucratic gobbledegook, which are not responses and which we find unacceptable. Therefore, I would like to go on record in behalf of my membership as stating that *no* member, *no one* of the 136 members of my Association, has ever in any way whatsoever deliberately violated any law or regulation involving veterans benefits. If this statement is invalid, then the head of the Veterans Administration should have no difficulty in pinpointing the institution which is guilty and the nature of the guilt. We, in fact, know of abuse, e.g., failure to enforce institutional standards, but the VA has not categorized, quantified, nor identified abuses. The VA has made academic judgments by fiscal intimidation—they don't think highly of a program, ergo, it should not be supported. We do not accept as an infraction a dunning notice to an institution claiming institutional liability for overpayments to students when the institution has provided notification as soon as it had information of student dropouts. Our schools have rejected such billings. Nor do we accept minor administrative oversights easily correctible and less than minuscule in number and cost as "culpability." The VA sends bills and cannot collect because the bills are nonsensical, as in the case of the alleged "billion dollar rip-off"—80 percent or more of which has been collected since there never was any conspiracy by veterans to "rip off." To have the press and spokesmen for Members of Congress parroting the inanities of allegations by the Veterans Administration just does not seem to be appropriate any longer. (I should note that while I am free to speak solely for the membership of my own Association, I would venture to guess that the same arguments would hold for all other institutions, since to my knowledge the VA has not identified any institutions at all as culpable in the so-called "billion dollar rip-off.")

One other matter relevant to this is the question of "rip-off" versus solution. During your hearing on June 1, Congressman Cornell referred to the abuses and to the alleged fact that the institutions did nothing during and after the period of the abuse to try to stem it or assist the VA in their responsibilities. What

Mr. Cornell is proposing, if I heard his statement correctly, is a kind of mutual admission of guilt, in which all the parties concerned—the students, the universities, the VA and even the Congress—admit to their responsibility in creating this terrible situation, and now join forces in correcting the problem. The latter idea makes sense—but VA behavior denies its interest in such cooperation. Speaking for the membership of this Association, I would like to have us excluded from that circle. When it became apparent that the pre-payment and advance payment situation had created and was continuing to create a situation just inviting students to abuse the veterans benefit program, at least temporarily, we suggested re-institution of the monthly sign-in procedure to assure that students would not be able for many months to disappear from campuses and still receive their checks from the Veterans Administration. We discussed other remedies which would involve the assistance of the institution and its officials in keeping track of students better. The VA was not interested then, it continues not to be interested. Since allegations are being tossed about freely, perhaps it would be interesting to conjecture that the reason the VA has not accepted the offer of the institutions, nor been willing to work with the institutions, is that, in fact, the VA does not want to have too many veterans taking advantage of veterans benefits. When veterans drop out of institutions, funds now committed to education benefits, could be transferred to hospitals, pensions, and other programs. There is no doubt that these are important programs, and as you have noted publicly yourself, the current behavior of the VA seems to suggest a greater concern in taking care of the interests of the veterans who earned their benefits in the Second World War, than taking care of their sons and daughters who are Vietnam veterans and whose interests are heavily oriented toward education.

I hope the above is of some value. Please let me know if I can provide any information or assistance.

With best regards,

Sincerely yours,

JEROLD ROSCHWALB,
Director of Governmental Relations.

Public Policy Proposals of the National University Extension Association

1977

Summary

The National University Extension Association (NUEA) consists of 250 public and private colleges and universities in the United States. It is a professional organization consisting of persons engaged in the continuing education mission of higher education which extends learning opportunities, both on and off the campus, to persons of all ages, volunteer organizations, governmental units, and to business and industry.

This statement is addressed to the Congress and to the President of the United States, to those who administer some 275 federal programs in continuing education which call upon the resources of colleges and universities for their implementation, and to higher education leaders and federal and state governmental officials who shape policy in the fastest growing educational area of their mutual concern—continuing education.

The NUEA subscribes fully to the Jeffersonian concept of "an educational system that believes in the democracy of opportunity and the aristocracy of achievement." In order to achieve the goal of providing educational opportunities to all citizens and helping them to prepare to meet the changes and complexities of our society through Lifelong Learning Programs, we recommend that the Congress and the Executive Branch act now on the following:

1. Fund new and expanded authorities for continuing education/extension/lifelong learning in the Higher Education Act (as amended by the 94th Congress) to provide equitable accessibility for adult part-time students to higher education.

2. Develop legislation and adequate funding to support continuing education programs directed to the amelioration of national problems.

3. Amend Title IV of the Higher Education Act to serve the educational needs of more part-time students.

4. Enact tax credit legislation for the costs of lifelong learning related to the taxpayer's current job, other work alternatives, and new life roles.

5. Amend the Veterans Education and Employment Assistance Act of 1976 to avoid damaging effects on opportunities for veterans to study as part-time students at accredited institutions.

6. Continue and expand funding of lifelong learning programs serving the unemployed, small businesses, law enforcement personnel, emergency preparedness personnel, teachers, and others.

7. Establish a federal Department of Education to develop and administer comprehensive national policies for education and to insure effective and efficient coordination of federally supported continuing education programs.

Introduction

The National University Extension Association recommends the following policy and legislative action to members of Congress, the Executive Branch of the federal government, state governments, universities, and concerned citizens. The NUEA objective is to further the development of sound national policy for education in order to provide equal educational opportunities to all citizens, with emphasis on the adult lifelong learning concept, and particularly to prepare the people of America to meet the needs of our society.

The composition of the nation's post-secondary, school-aged clientele has changed dramatically (with more than half of our student population now enrolled on a part-time basis). This accentuates the need for immediate attention to the emerging role of higher education in service to adults and in service to the nation. Higher education in America now and in the past has had a tripartite mission in research, teaching, and service through extension and continuing education. As partners in our progress, the federal government and higher education have relied upon one another in the belief that a wise and continually educated citizenry is a cornerstone of our democracy.

A Federal Policy

NUEA supports the conclusions of the University of Notre Dame report *The Learning Society*, that "lifelong learning should be guided by public policies that encourage the systematic integration of learning opportunities with the needs of people at different stages of life" and that "the integration of learning with life and careers cannot be effectively accomplished on an *ad hoc* basis dependent on the person's ability to pay or solely on self-interest."

Therefore, NUEA recommends that the public policy include federal financial support for the education of adults. This should include assistance to:

—adult part-time learners with financial barriers to the pursuit of education, and to

—educational institutions to develop and strengthen their competencies for delivering continuing education/extension/lifelong learning programs.

Support to part-time students should:

—be targeted to support persons not now equitably served by continuing education programs;

—provide greater support for those less able to pay;

—supplement but not supplant existing systems in which people pay the costs of their own continuing education;

—insure individual self-determination of educational choices.

Support to educational institutions for conducting continuing education/extension/lifelong learning programs should:

—provide sustaining long-range commitments on the basis of need to individual universities with continuity of funding. Only with such commitments can higher education institutions develop and maintain highly competent staffs and preserve relationships that result in maximum productivity. This continuity has been an essential feature of the highly successful agricultural extension service.

—use and expand the established competencies and delivery systems of the individual colleges and universities in each state with maximized effectiveness.

Funding of Continuing Education/Extension/ Lifelong Learning Provisions of the Higher Education Act

1

NUEA recommends that the federal budget for 1978 provide the authorized level of funding for continuing education provisions of the Higher Education Act included in the Amendments of 1976.

The newly enacted or expanded authorities are:

Community Service and Continuing Education (Title IA)	$40,000,000
Lifelong Learning (Title IB)	30,000,000
Education Information (Sec. 418A)	30,000,000
Expansion Grants (Sec. 1014)	150,000,000

These programs are, according to Congressman James G. O'Hara, speaking last year as chairman of the House Subcommittee on Postsecondary Education:

"intended to meet the needs of part-time students, students outside the 'traditional' college-going age groups, students who come to the campus in mid-career, seeking highly selective bits and pieces from the intellectual treasures of which the colleges and universities are custodians."

(CONGRESSIONAL RECORD, May 12, 1976)

2

Amelioration of National Programs through Continuing Education, Extension Programs and Research Application

NUEA supports legislation and appropriations to provide continuing education/extension programs directed to the amelioration of national problems such as air and water pollution, soil erosion, drug abuse, energy conservation, crime, urban inefficiency, adequate health services, unemployment, inflation and housing, among others.

To be fully effective, federal problem-solving programs require action by local governments or their agencies, voluntary organizations, citizen groups, and individuals. These citizens and groups generally require knowledge as a basis for action—knowledge about the problems, alternative courses of action and probable consequences, available government assistance, and about the skills needed to take appropriate action.

Experience clearly demonstrates that federal support to higher education institutions to provide programs with these aims is a highly effective use of tax money.

Continuing education programs should be developed in each state, within national goals, to serve local priorities.

Educational Programs to Encourage More Timely Application of the Results of Research

NUEA strongly supports federal funding of programs directed to the application of research results in solving problems.

The development of such programs is especially needed in fields where there has been a substantial expansion of research during the last decade, particularly in education, urban problems, energy, environmental protection, and that supported by the National Science Foundation (particularly the RANN program).

Research is an important tool in solving problems, but research does not solve any problems unless the results of research are appropriately applied. Large business organizations with specialized technical staffs are able to make applications of research results by using information published in technical journals. More support is now required for application of research results by others such as small businesses, government agencies, and individuals.

Research results must be interpreted in terms of practical operating principles. Knowledge from several sources must be integrated. It must be disseminated impartially. Those who might apply the results of research need technical knowledge, a factual basis for evaluation of likely consequences of application, and confidence that they can make the applications successfully. This calls for carefully designed educational programs conducted in partnership between experts in continuing education and those in the technical fields.

Programs of extension education supported by the Department of Agriculture have a long history of demonstrated and widely recognized success. More recently the Sea-Grant program supported through the Department of Interior and programs of HEW to encourage the application of health related research are demonstrating accomplishments.

Experience has shown that:

—universities and colleges, as sources of reliable and objective knowledge have high levels of acceptability and credibility among those served.

—the development of high level program competency and university/clientele relationships require continuity of funding.

—a close organizational relationship between research personnel of universities and continuing educators is essential for sound and effective programs.

3 Student Assistance Under Title IV of the Higher Education Act

NUEA recommends amendment of student assistance programs under Title IV of the Higher Education Act to provide:

—eligibility and accessibility for needy students regardless of course load;

—eligibility for students officially accepted in degree-credit courses whether or not they are degree candidates;

—eligibility of students enrolled in certificate programs (including courses for credit);

—elimination of unreasonable time limits for completion of educational objectives.

There is a vital need for federal assistance and funding for research efforts to:

—determine the desirability and need for legislation to provide for "credit banks" for lifelong learning entitlement upon which individuals may draw to meet their educational and career goals;

—develop a formula for the determination of financial needs of adult students who can, for legitimate reasons, be enrolled for less than half-time.

Tax Benefits for Work-Related Continuing Education

4

NUEA recommends a tax incentive for the cost of continuing education related to a taxpayer's current job, intended to prepare him or her for other work, or for transition to new roles.

The income tax law enables taxpayers to treat as a tax deduction the costs of obtaining education to help them in their jobs. One of the great needs of millions of people is to acquire education that will enable them to move to other jobs in which they will be more productive. No tax incentive is presently provided for this purpose.

5

Veterans Education

Certain provisions of S969 passed by the 94th Congress will have the effect of denying high-quality educational opportunities to veterans. NUEA recommends.

—suspension of the 85-15 rule for regionally accredited institutions of higher education.

—elimination for regionally accredited institutions of higher education, of the requirement that a course be established for two years.

—acceptance of independent study courses offered by regionally accredited institutions of higher education.

Programs to Serve Special Needs 6

NUEA supports the provision of funds for special needs and national interests through continuing education programs as a part of national approaches to specific public problems. Such program thrusts are especially needed in order to strengthen the family as a cornerstone of American society. Another vitally needed program lies in the field of energy conservation. The member institutions of NUEA are eminently qualified to implement both of these much needed continuing education efforts.

Other areas include: small business extension; labor continuing education services; adult counseling; education in the humanities; law enforcement and criminal justice; emergency preparedness; teacher education; governmental employee education; education in telecommunications; programs of the Department of Health, Education, and Welfare directed at improved delivery of health services; alcohol and drug abuse remediations and prevention; improved occupational safety; needs of Native Americans; juvenile delinquency, the aging, the handicapped and the disabled; Department of Interior programs for mining safety and water resources development; Department of Labor programs for job opportunities development, worker training, and occupational safety; Department of Transportation programs related to urban mass transit; Internal Revenue Service programs providing tax information and education; and many other programs serving specific national needs.

7 Federal Department of Education

Coordination and Consolidation of Federal Support to Educational Institutions for Continuing Education/Extension/Lifelong Learning Programs

NUEA strongly supports the establishment of a federal Department of Education to develop and administer comprehensive national policies for education. This department should include programs of continuing education now located in the Education Division of the Department of Health, Education, and Welfare, as well as some programs now in other agencies.

The Department of Education should include strong organizational and administrative support and leadership for continuing education. Until such a department is formed, there should be a unit within the education division of HEW charged with implementing the continuing education policies and programs of that agency.

NUEA strongly supports the development within the executive and legislative branches of procedures for planning, evaluation, coordination, and consolidation of federal support to continuing education. The new administration should place high priority on the development of this coordination and consolidation.

By a recent count, there are 275 federal programs that provide financial support to lifelong learning programs. Jurisdiction for them is spread among nearly all departments of government and nearly all committees of Congress. There is no mechanism in the executive or legislative branches for coordination of this federal support.

NUEA believes that a process of monitoring these programs, reviewing and coordinating their inter-relationships, and identifying unmet needs and priorities, will result in more effective use of public funds in serving the American people.

Assistance to State Planning

Continuing education and other lifelong learning programs for adults in each state are conducted by colleges and universities, public and private, and many other types of public and private organizations. Planning of these many programs is and should remain a state and local responsibility. State agencies responsible for supervision of various types of educational institutions should include the continuing education/extension/lifelong learning functions of those institutions as an integral part of their supervisory functions.

Part B of Title I of the Higher Education Act as amended in 1976 authorizes the assistant secretary of HEW, after consultation with appropriate state agencies, to assist the states in planning and assessment of lifelong learning needs, research and development, and to provide other technical assistance. Funding should be provided to carry forward programs to these ends.

Data Collection and Research to Assist in the Planning, Evaluation, Administration, and Coordination of Continuing Education/Extension/Lifelong Learning

NUEA supports federal programs to assemble and provide timely and reliable information useful in the development, improvement, and management of continuing education programs.

The National Institute of Education and the Fund for the Improvement of Postsecondary Education should devote important emphasis to continuing education/extension/lifelong learning programs consistent with their growing significance. There is a need for federally sponsored research to:

—develop plans and systems to meet counseling needs of adult part-time students—particularly in sparsely populated areas and in urban areas populated by disadvantaged persons;

—identify barriers to participation in continuing education programs and the financial needs of potential part-time students who are not now participating;

—develop new and improved ways of serving the lifelong learning needs of adults.

NUEA stands ready to join in partnership with the Congress and the Executive Branch to refine and implement these important policies in meeting the educational needs of the American people on a lifelong basis.

OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

WEDNESDAY, JUNE 8, 1977

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Cornell, Motti, Erlenborn, and Buchanan.

Staff present: Thomas R. Jolly, counsel; Patricia R. Morse, clerk; Mary Paul, secretary; Robert Andringa, minority staff director.

Mr. **Ford.** We call the hearing to order.

As we continue our oversight hearings on Federal student financial assistance, we will hear today from a panel of State higher education officials who will discuss the relationship of State student assistance programs to Federal and institutional programs.

We expect to learn about the coordination of the delivery of these programs and how procedures could be improved and simplified.

Some of the witnesses today have traveled considerable distance to appear and we are grateful to them. Despite this, they still managed to meet the committee rule of providing the members with copies of their testimony well in advance of this morning's hearing. I am particularly grateful for that.

Without objection, we will place the prepared statements submitted by the panel into the record at this point.

STATE-FEDERAL-INSTITUTIONAL PARTNERSHIP IN STUDENT ASSISTANCE

Testimony to
The House of Representatives
Subcommittee on Postsecondary Education
of The Committee on Education and Labor

June 8, 1977

Mr. Chairman, honorable members of the Committee:

My name is Richard Millard. I am the director of the Department of Postsecondary Education at the Education Commission of the States. We greatly appreciate the opportunity of testifying in these oversight hearings on federal student assistance programs with special emphasis on the relationships among the federal government, the states and the institutions. To present some of the state concerns we have brought together for this session Dr. M. Olin Cook, executive director of the Department of Higher Education in the state of Arkansas, currently the president of the State Higher Education Executive Officers Association; Dr. Haskell Rhett, assistant chancellor for Student Assistance and Special Programs, State of New Jersey, currently president of the National Association of State Scholarship and Grant Programs; Dr. Bill Mirandon, president and chief executive officer of United Student Aid Funds, Inc. and currently president of the National Council of Higher Education Loan Programs; and Mr. John Lee of the Education Commission of the States' staff and director of a study of the State Student Incentive Grant Program and State Scholarship Programs, a study currently being funded by the Office of Education. It is my function, briefly, to give something of the overview from the perspective of the Education

Commission of the States. Mr. Lee will present a review of the current status of state scholarship programs and the impact of the State Student Incentive Grant Program on the states. Dr. Cook, Dr. Rhett and Dr. Mirandon will speak from the perspectives of their various organizations.

The Education Commission of the States has been concerned with the importance of developing an effective state-federal-institutional partnership in student assistance almost from its beginning as a Commission. In the fall of 1969 it established a Task Force on Student Assistance chaired by then Governor Norbert Tiemann of Nebraska. Its report, called Postsecondary Educational Opportunity: A Federal-State-Institutional Partnership, approved by the Steering Committee of the Commission in November 1970 and published in February 1971 -- well before the Education Amendments of 1972 -- was one of the first national documents calling for effective collaboration among the states, the federal government and the institutions in insuring that student aid from the various sources does get to the students who need it most. The central consideration or theme of the task force report was: "From the standpoint of public policy the prime need is for a real federal-state-institutional partnership in making equality of educational opportunity more of a reality in this country. Such institutional-state-federal partnership in complementation of efforts alone can assure substantial progress in meeting the needs of students combined with reasonable, efficient, and effective allocation of existing and future aid resources" (vi). The report called attention to the fact that a number of states as well as the federal government were in the student aid business although up to that time there was no federal recognition that this was the case.

Among other things the report suggested that "one approach to the federal role, and the one currently most in accord with the public interest, is that of assuring student aid through grants on a national minimum basis among the states and of encouraging the states, through matching funds, to develop their own effective programs" (82).

There are certain guiding principles that in our opinion should underlie and inform the state-federal-institutional partnership in student aid. These include:

(1) The function of the partnership and of delivery systems, as of student assistance programs in general, is to provide educational opportunity to citizens of the country who desire and can benefit from it. The primary function of coordination, organization and structure should be to insure that student aid moves as efficiently and effectively as possible to those students who need it.

(2) The federal government, the states and the institutions all have responsibility for assuring access and choice to students who for economic or cultural reasons would otherwise not be able to attend postsecondary institutions commensurate with their interests, needs and abilities.

(3) While the various federal, state and institutional programs meet different but complementary needs it is critically important that they be coordinated to insure that they meet the range of needs for which they were designed without duplication, confusion or invitation to abuse. Within this range of programs the Basic Educational Opportunity Grant Program is, in fact, basic in assuring a first step towards access and should be the foundation on which other

programs build. State programs, institutionally based federal programs, and various loan programs not only complement and extend access but help to provide the factor of choice.

(4) The states are in a unique position to coordinate federal, state and institutional student aid activities. They are neither as far removed from institutions and students as the federal government nor are they limited in activities to the students inquiring of or applying to particular institutions. Accordingly, we believe that to the extent feasible information dissemination and collection, processing and program administration should be decentralized to the state level.

(5) If such decentralization is to be effective, however, the various federal programs need to be adequately inter-related at the federal level.

(6) In working with the states, the federal government should respect the diversity of the states, their structures, laws and constitutions, and given basic state capability develop both legislation and guidelines to capitalize on this diversity rather than attempt to enforce uniformity in structures and procedures.

We have made progress since 1971. The Education Amendments of 1972 in addition to including the Basic Educational Opportunity Grant Program, which does in fact provide a base or floor on which other programs can be built, also included the State Student Incentive Grant Program which, for the first time, not only recognized state involvement in student aid but provided incentives for states without programs to begin them and states with programs to expand them. The report of the task force had some impact on this legislation. Even though the State Student Incentive Grant Program began with only a $50 million authorization, was not funded the first year and has been rather minimally funded since then, it has had major impact, as Mr. Lee will demonstrate. While SSIG has not been the only factor involved, state programs have increased from 21 states in 1969-70 with state appropriations of slightly over $191 million, to 49 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa and the Trust Territories appropriating approximately $650 million in the current year for need-based student assistance programs.

As you are aware, the Education Amendments of 1976 further recognized the state role in the student assistance picture by (1) expanding authorization under SSIG, (2) providing additional incentives for states to develop their own guaranteed student loan programs, (3) instructing the Commissioner to develop a strategy to involve more states in the guaranteed loan program, (4) providing for experimental processing of Basic Educational Opportunity Grants by a limited number of states, (5) providing 2/3 matching funds for states to help plan for and develop educational information centers, and (6) providing incentive funds to states to develop training programs for state and institutional student financial aid administrators. Not all of these additional steps have been funded or implemented to date but compared to pre-1972 when, with the exception of the option for states to develop guaranteed loan programs, all student assistance programs under the Office of Education wholly bypassed the states, this does represent major progress.

In addition, however, to concern with federal legislative recognition of the role of the states in student assistance, the Education Commission of the States in cooperation with the other agencies represented here have been equally concerned with the development of administrative coordination of federal, state and institutional based programs to insure more effective delivery of programs to students. With the Office of Education, the State Higher Education Executive Officers, and the National Association of Student Financial Aid Officers in 1973-74 we cosponsored the National Work Conferences on the federal-state-institutional partnership which, under the able direction of then Associate Commissioner for Student Aid, Dr. John Phillips, led to the first attempts to develop coordinated administration on all three levels. This included information sharing, exploration of a common application form, and calendar coordination. ECS was represented on the Executive Committee of the National Task Force on Student Assistance chaired by Dr. Francis Keppel, which recommended and demonstrated the feasibility of a common application form, common needs analysis, and a coordinated federal-state-institutional student aid calendar. Most recently, with the American Council on Education we are cosponsors of the Coalition for Coordination of Student Financial Aid, the follow up and implementing group of the Keppel Task Force. The Coalition has worked closely with the Office of Education.

In this area some progress has been made, particularly in relation to grant programs. The Keppel Task Force helped bring together the College Scholarship Service and the American College Testing Program to develop a consensus model needs analysis system. Within the last two weeks (May 23) the Secretary of Health, Education and Welfare and the Commissioner of Education have announced the first major movement towards a common application form and a common date for starting the application process. Perhaps even more important, agreement in principle has been reached with the Office of Education on a multiple data entry system in connection with the Basic Educational Opportunity Grant Program. In harmony with the spirit of the

Thompson-Eshleman admendment this means that beginning in 1978-79, those state agencies selected to handle data entry (according to commonly accepted criteria of processing capability) will collect basic grant data elements on agency applications, exchange data with the primary processor, and (if they choose) estimate the basic grant index and coordinate and exchange with the institutions this eligibility information, as well as corresponding information on state awards. This will go a long way towards the effective coordination of the basic grants and state programs. Finally, on May 24 the Commissioner announced a simplified application procedure for institutions participating in the three institutionally based federal aid programs -- College Work-Study, Supplemental Opportunity Grants, and National Direct Student Loans -- which should at least cut down on the paper work for most institutions under the program.

Progress has been made in moving towards a federal-state-institutional partnership within grant programs administered by the Office of Education and the states, but there is still a long way to go if the partnership is to be as effective as it might be across the range of student aid programs. Even within the need-based grant programs where the most progress is evident, additional steps could and should be taken. The basic grants program is a cornerstone of access supplemented by state and institutionally based programs. It is through the state programs reinforced by the institutionally based programs that the factor of choice in addition to access begins to have an effect. The SSIG program is by far the smallest of the federal programs in terms of funding ($63.7 million for 1978) but it has been very successful. We believe that this program should be further strengthened and given increased funding. But in so doing we would urge that the uniqueness and difference among the states be taken into account to keep the program flexible enough so that it can operate within the different state legal and constitutional structures. The confusion caused by requiring grants to be made to all "non-profit" institutions this last year is a case in point. We greatly appreciate the delay in its implementation. We would suggest that you consider either deleting the term "non-profit" altogether or defining the term more carefully to avoid the constitutional questions it raises. Most of the bible colleges and separate theological schools in America are non-profit. The institutionally based programs are still not as integrated into the partnership as they might be. Currently these programs bypass the states and involve a distortion in the distribution of funds since the distribution takes place on the basis of enrollments rather than need. We would suggest a review of the panel procedures with an eye to more effective distribution of funds and more direct state involvement.

The Guaranteed Loan Program offers a very different set of concerns. Even though the 1976 Amendments strongly encourage movement towards state programs in those states that do not have them, very little movement has taken place toward implementation in this direction to date. No strategy or study to encourage the transition has been developed and, given the funding situation, the incentives under the SSIG program for states to move in this direction have not materialized. While the move to reunite the various administrative parts of the Guaranteed Loan Program under the new Bureau of Student Aid is a step forward, this needs to be followed up with the implementation of strategy to encourage development of state programs in the states that do not have them. It should be remembered that until the 1976 Amendments, while states were permitted to develop their own programs, the incentives worked in the opposite direction. In spite of this the states with programs have had the lowest default and highest collection rates and have avoided some of the major problems the federal program has had to face.

In this connection we would strongly urge that the new guaranteed loans under the Health Professions Act be administered through the existing guaranteed loan structures. To add a whole new guaranteed loan apparatus in the health professions can only confuse the picture and make coordination of the various student aid programs even more complicated. Ideally the various types of student support -- grants, loans, and work-study -- should be so coordinated both federally and at state and institutional levels that it would always be possible to know the combinations of support any student has and how these do or do not effectively complement each other in meeting his or her needs.

As you are well aware, the states play no role in relation to aid under the Social Security Act and there is a danger that they will be almost wholly bypassed under the new Veterans Education and Employment Assistance Act even though each state under the G.I. Bill has a veterans approval agency. An effective information sharing process operating with and through the states which provides information about all forms of student aid, whether the aid comes from the Office of Education, the Veterans Administration, social security or other federal sources, or from state or institutional sources is an essential first step in developing the kind of coordination and complementation which is in the best interests of the students, the institutions, the states and the federal government.

Our basic concern, as yours, is in effectively and efficiently meeting the needs of students in the states and the nation. Student assistance in its various forms is vital to meeting these needs by providing greater opportunity through access and choice. The federal government cannot do this alone. The institutions can work effectively only with those students or potential students who apply directly to them. The states are in a unique position to coordinate the various federal, state and institutional efforts to insure that students and potential students receive the appropriate information, that the process is as simple yet effective as possible, that the various types of aid are used in complementation of each other, and that validated information and forms move smoothly in both directions. We would urge that the states' role in effective coordination of the various student aid programs be recognized and utilized more fully to help all of us fulfill the national, state and institutional goals of postsecondary educational opportunity for all those who desire and can benefit from it.

Again, we appreciate the opportunity of testifying before the Committee and congratulate the Committee on carrying out its oversight functions in the critical area of student assistance.

RMM:mb
6/1/77

STATE STUDENT ASSISTANCE POLICIES FROM THE PERSPECTIVE OF STATE HIGHER EDUCATION EXECUTIVE OFFICERS

A Presentation to the Subcommittee on Postsecondary Education of the Committee on Education and Labor, 94th Congress, Dr. M. Olin Cook, Director of the Department of Higher Education in Arkansas

It is a pleasure to have this opportunity to appear before a subcommittee on Postsecondary Education of the Committee on Education and Labor. All members of the State Higher Education Executive Officers Association would want me to say a special word of thanks for this opportunity.

The State Higher Education Executive Officers Association (SHEEO) includes the chancellors, directors and commissioners of statewide postsecondary and higher education commissions, boards and coordinating agencies across the nation charged with statewide planning, coordination and/or governance of all or of major segments of postsecondary education in virtually all the states. While the states differ in the form and scope of their postsecondary education commissions and agencies, a common concern is with meeting the variety of postsecondary educational needs of citizens within each of the states.

During the past years SHEEO has worked diligently toward representing the states in federal educational policy. The Federal Relations Committee of SHEEO has adopted a policy paper which can be made available to you if you so desire. My remarks this morning will be consistent with the policy adopted by the organization regarding federal postsecondary education legislation relating to the states.

SHEEO believes that the goals of national postsecondary education policies should be as follows:

1. To achieve a quality of educational opportunity for all persons without regard to race, sex, age, national origin, ethnic or cultural heritage, handicapping conditions, economic status or geographic location;
2. To achieve access for all persons capable of and interested in postsecondary education, and reasonable choice among postsecondary education institutions and programs appropriate to each person's educational needs, capabilities and interests;
3. To support excellence in instruction, research and service to institutions of postsecondary education in order to insure the health, welfare and security of the nation; and
4. To develop an informed and educated citizenry.

Certain principles should be kept in mind in order that the proper state/federal relationship is established through the accomplishment of these national goals. The constitution of the United States makes it implicit that education is a primary responsibility of the state. Since this primary role is granted to the state, then it becomes the federal role to see that national goals, objectives and priorities are fulfilled through federal policies which supplement and complement state efforts to meet the same needs. Also, the Federal Government should give states assistance and incentives to meet national goals. Federal policy should be established with the recognition that the federal government, the states, the institutions and the private sector all have responsibilities in fulfilling the educational needs of the nation. The effective state/federal partnership in postsecondary education will be accomplished only if the federal government recognizes the differences among the states. These differences come primarily in three categories: (1) the kinds of postsecondary education institutions and the kinds of state policies regarding financing of these institutions and providing financial assistance to students, (2) the laws and structures for statewide planning, coordination and governance of postsecondary education, and (3) the economic conditions, physical capability and effort in support of postsecondary education.

Federal laws should set forth national objectives to be achieved by federal programs but the structure and procedures for carrying out these programs should be for the states to determine. The federal government should also have an interest in coordination of the separate federal programs. Today we are talking about student financial assistance and certainly this is an area where more coordination is needed in each of the states and at the national level. The last principle, I think, that we should remember today is that when federal programs are enacted there should be reasonable assurance that there will be sufficient funding and continuity of funding throughout the life of the program if it is to have its maximum impact.

SHEEO has expressed three priority concerns which we hope will be considered by the 95th Congress. Even though the first two do not directly relate to student financial aid, I think it will be worthwhile to consider these three concerns now.

1. The need for increased attention by the Congress and the administration of the concept of a federal/state/institutional partnership in postsecondary education.

2. The need for effective implementation and coordination of the Education Amendments of 1976, with particular emphasis on the coordination/linkage among separately authorized student aid programs; and

3. The need for appropriations to meet the increasing demands for student assistance [illegible]

There are two programs which are very important at the state level. The first of these is the State Student Incentive Grant program. This program has made tremendous impact throughout the country, especially in states where [illegible] state scholarship program [illegible] not exist. In Arkansas, because of the state student incentive grant program, the Arkansas General Assembly established the State Scholarship Program in 1975. This program has been tested in the courts, and recently a federal court ruled that this was a constitutionally sound program and is being administered with proper procedures. Funds through the state student incentive grant program are matched by the state scholarship funds and for the student the program is operated as one program. Through this federal-state partnership needy students in Arkansas have received thousands of dollars that would not have been made available. Because the 1202 Commission in Arkansas is also lodged in the Department of Higher Education and there is common membership with the 1202 Commission and the State Board of Higher Education, this kind of coordination has been made possible. If the 1202 Commission had been a separate Commission, then there possibly could have been problems with the coordination of this program.

Beyond advances made by legislative changes, much of the progress since 1972 in federal/state relationships in postsecondary education has been achieved through leadership and administrative actions of the U. S. Office of Education and especially the Bureau of Postsecondary Education. The national work conferences on federal/state/institutional relations and student assistance sponsored by the Bureau of Postsecondary Education in 1974 served to focus national attention on the need for improved coordination on matters such as application forms, processing and timing of applications, needs analysis systems, and awards of determination and disbursement.

A major emphasis for improving coordination in the delivery of student assistance was given by the National Task Force on Student Aid Problems, chaired by Frances Keppel, and the followup group, the National Coalition for the Coordination of Student Financial Aid. SHEEO strongly endorses efforts to achieve in 1977-78 the coordination among federal, state, and institutional student assistance programs and in particular the development and implementation of a common calendar for management of federal and state student aid programs, a common application form and a uniform methodology for determining need. Furthermore, SHEEO urges the U. S. Office of Education to continue efforts to improve the exchange of information between the federal government and the states related to the planning, management and delivery of student aid.

The development of [illegible] and other state programs in [illegible] applications provides an opportunity for a demonstration of the feasibility and [illegible] of the kind of federal/state coordination. SHEEO urges the U. S. Office of Education to proceed expeditiously to develop the guidelines and criteria to implement this provision in a manner that permits a pilot testing process to begin for the 1978/79 year. Two or three years will be necessary to demonstrate the benefits of this effort and to justify the added cost that will be involved and a high priority should be assigned to the evaluation plan to assess costs and benefits as the development of this process continues.

The amendment to the SSIG program requiring that programs provide, after July 1, 1977, that students attending non-profit institutions of higher education of the state be eligible for state grants directly conflicts with the constitution of several states. SHEEO recommends that the House Subcommittee on Postsecondary Education and the Senate Education Committee consider at the earliest possible time a technical amendment to this provision to allow at least for a delay in the implementation of the requirement until the 1978/79 academic year. Prior to that academic year the Congress should amend the requirement to reflect the variations among the states in constitutional provisions and state laws related to eligibility of students for assistance under state programs.

SHEEO urges the federal government to reinforce and utilize more effectively the State Postsecondary Education Commission (1202) authorized in the Education Amendments of 1972 and its expanded functions in the Education Amendments of 1976. State planning for community service, continuing education, planning and development of education information centers, planning for community colleges and graduate education and the many facits of student aid should be an integral part of the general planning of these 1202 Commissions.

Attached to my remarks today you will find a table entitled "Recommendations for Appropriations for Selected Federal Programs of Fiscal Year 1978." SHEEO has spent some time in looking at what programs should receive emphasis in the postsecondary education community. The last column of this table reflects recommended appropriations for fiscal year 1978 for various programs. Today, since we are only dealing with student assistance, I will speak only briefly to the level for student aid and related programs.

You will notice that the Basic Educational Opportunity Program is recommended at $2,316,000, the same that is recommended in the Carter budget. The reason for this recommendation is that F[illegible]lies see the BEOG program as being necessary to take care of the [illegible] students who have [illegible] financial needs within our states. For this reason, this program must be increased above its present level in order to take care of needy students as they progress through their years of education. A slight increase is recommended in the Supplemental Educational Opportunity Grant in order that those students with d[illegible] needs can have funds beyond that provided in the Basic Educational Opportunity Program. You will notice a much larger increase recommended in the State Student Incentive Grant because this is a program that allows states to take more advantage of state funds placed into grant programs. Also, many states have built this particular program on top of the basic education program to serve as a grant to needy students beyond what they would be given through the Basic Opportunity Program. The College Work Study is recommended at the same level. SHEEO feels that this is a very necessary program in order that students might have the opportunity to work and earn money to attend a postsecondary program. Then, in order to round out the student aid program we have recommended 311.3 million dollars for a direct loan program. Many students after receiving grant money for the Basic Educational Opportunity Grant program and funds from SSIG are enabled to complete their needs for funds through a work program. These students must be afforded the opportunity of some loan. The guaranteed loan program made available by the federal government has fulfilled this need nicely. If this program is cut back as recommended in the Carter budget, there will be serious problems in many states.

In closing today, I would like to express my appreciation again for all members in the various states of the State Higher Education Executive Officers Association and also invite you to call on us at any time that we could be helpful to you as your subcommittee deliberates on future funding and other new programs for postsecondary education in this country.

SELECTED FEDERAL PROGRAMS FY 1978

(MILLIONS)

PROGRAM	FY 1976 APPROPRIATIONS	FY 1977 CARTER BUDGET	FY 1977 HOUSE/SENATE CONFERENCE REPORT	FY 1978 CARTER BUDGET	FY 1978 SHEEO RECOMMENDATIONS
Student Assistance					
Basic Educational Opportunity	$1,325.8	$1,629.0[1]	$1,903.9	$2,316.0	$2,316.0
Supplemental Educational Opportunity Grants	240.1	240.1	250.1	240.1	250.1
State Student Incentive Grants	44.0	44.0	60.0	44.0	100.0
College Work Study	390.0	390.0	390.0	390.0	390.0
Direct Loans	332.0	15.0	311.3	15.0	311.3
Subtotal: Student Assistance	$2,331.9	$2,318.1	$2,915.3	$3,005.1	$3,367.4
Student Financial Assistance Training	-	-	-	-	$ .28
Community Service and Continuing Education (Title I, Part A)	$ 12.1	$ 12.1	$ 14.1	$ 12.1	$ 20.0
Lifelong Learning (Title I, Part B)	-	-	-	-	5.0
Education Information Centers	-	-	-	-	15.0
Comprehensive Planning (sec. 1203(a))	3.5	3.5	3.5	3.5	7.0
Interstate Planning (sec. 1203(c))	-	-	-	-	2.0
Community Colleges (Title X)	-	-	-	-	7.0
State Planning Programs	-	-	-	-	-
Fund for Improvement of Postsecondary Education	11.5	11.5	11.5	11.5	20.0
National Institute of Education	70.0	90.0	70.0	109.0	120.0

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[1] Excludes [illegible] million additional amount to [illegible] used from FY 1977 appropriations for [illegible]

REVISED

STATEMENT OF POLICY
REGARDING
FEDERAL POSTSECONDARY EDUCATION LEGISLATION RELATING TO THE STATES

SHEEO

Adopted By

The State Higher Education Executive Officers

April 21, 1977

FOREWORD

The State Higher Education Executive Officers Association (SHEEO) includes the chancellors, directors and commissioners of statewide postsecondary and higher education commissions, boards and coordinating agencies across the nation charged with statewide planning, coordination and/or governance of all or of major segments of postsecondary education in virtually all of the states. While the states differ in the form and scope of their postsecondary commissions and agencies, a common concern is with meeting the variety of postsecondary educational needs of citizens within each of the states.

One area of continuing mutual interest is the impact of federal legislation and federal programs on the functioning of postsecondary education in the states. In response to this interest the SHEEO Federal Relations Committee provided leadership in the development of a revised statement of principles which reflect the official position of the association. The statement was first adopted by the membership on April 25, 1975, and the revised statement contained in the following pages was officially adopted at the 7th annual spring meeting of SHEEO on April 21, 1977.

The first section sets forth a statement of goals and principles as the basis for consideration of the various federal initiatives which relate to postsecondary education. The second section addresses priority concerns in state/federal relations in postsecondary education which the association believes should be addressed by the new Administration and the 95th Congress.

This statement is being given wide circulation with the hope that it may contribute to the process of rational review of the state/federal partnership in postsecondary Education.

William Arceneaux
Commissioner of Higher Education
Louisiana Board of Regents
Chairman, SHEEO Federal Relations Committee
(1976-77)

April 1977

I. NATIONAL GOALS FOR POSTSECONDARY EDUCATION AND PRINCIPLES TO GUIDE DEVELOPMENT AND IMPLEMENTATION OF THE GOALS THROUGH A STATE/FEDERAL PARTNERSHIP

Goals for National Postsecondary Education Policy

The State Higher Education Executive Officers Association (SHEEO) believes that the goals of national postsecondary education policy should be:

1. To achieve equality of educational opportunity for all persons without regard to race, sex, age, national origin, ethnic or cultural heritage, handicapping condition, economic status or geographic location;
2. To achieve access for all persons capable of and interested in postsecondary education, and reasonable choice among postsecondary education institutions and programs appropriate to each person's educational needs, capabilities and interests;
3. To support excellence in instruction, research and service through institutions of postsecondary education in order to insure the health, welfare and security of the nation; and
4. To develop an informed and educated citizenry.

Principles

The following principles should guide state/federal relations in accomplishment of these national goals:

1. Governance and finance of education are primarily state responsibilities. This state role is implicit in the United States Constitution, has been reinforced by decisions of the federal courts and is reflected in state constitutions and statutes and in the historical and current patterns of education governance and finance.
2. Granting the primary role of the states, the federal role in education should be:
    a. To see that national goals, objectives and priorities are fulfilled through federal policies which supplement and complement state efforts to meet the same needs, and to give states assistance and incentives to meet national goals in the context of differing state circumstances; and
    b. To enunciate national goals, objectives and priorities that may transcend the concerns of individual states, or transcend the capacity of individual states to resolve.

3. Federal policy should be established with a recognition that the federal government, the states, the institutions and the private sector all have responsibilities in fulfilling the educational needs of the nation. These responsibilities should be mutually supportive rather than conflicting and duplicative. Both the Congress and the Executive Branch should provide for involvement of and consultation with state higher education executives at all stages of the federal policy process on matters with actual or potential impact on state postsecondary education policies.

4. An effective state/federal partnership in postsecondary education requires that, in the design, administration and financing of programs, the federal government should recognize the differences among the states:

    a. In postsecondary education needs and problems, in the kinds of postsecondary education institutions and in the state policies regarding financing institutions and providing financial assistance to students;

    b. In laws and structures for statewide planning, coordination and governance of postsecondary education; and

    c. In economic conditions and in fiscal capacity and effort in support of postsecondary education.

5. Federal laws should set forth the substantive national objectives to be achieved by federal programs, but the structure and procedures for carrying out the programs should be for the states to determine.

6. Federal requirements for development of state plans for categorical programs (vocational education, community service and continuing education, education information centers, facilities and equipment and community colleges) should be related to, be an integral part of and grow out of comprehensive state planning for postsecondary education. Federally required state planning should not be isolated from existing state-initiated state planning but should be designed to build upon and strengthen these existing state efforts.

7. To the extent that separate federal programs each have state planning requirements or have actual or potential impact on state policy in postsecondary education, the federal government should establish a mechanism for coordinated planning and administration of the programs at the federal level and should provide for continuing communication with and involvement of states in the planning and administration of the programs. Even though federal programs may be separately authorized, the programs should be related to each other and to other existing policies as they are implemented at the state and institutional level.

8. Federal programs should be enacted with reasonable assurance of sufficient funding and of continuity of funding throughout the life of the programs. Federal programs should be forward funded to allow states and institutions time to plan for effective use of the federal resources in relationship to existing state and institutional resources. Planning funds should be provided as soon as possible after enactment of new categorical programs.

II. PRIORITY CONCERNS FOR 1977-1978

On the basis of the principles enunciated in the first section of this paper, the State Higher Education Executive Officers Association (SHEEO) has identified three major areas of concern to be addressed by the new Administration and the 95th Congress:

1. The need for increased attention by Congress and the Administration to the concept of a federal/state/institutional partnership in postsecondary education;
2. The need for effective implementation and coordination of the Education Amendments of 1976, with particular emphasis on the interrelationships among separately authorized state-related programs; and
3. The need for appropriations to meet the increasing demands for student assistance from low- and middle-income students.

The legislative agenda of the Congressional authorizing committees during the 95th Congress will focus largely on revision and extension of the Elementary and Secondary Education Act of 1965. For postsecondary education, the focus must shift from efforts of 1975-1976 to change old programs and establish new ones to efforts to achieve effective implementation of the recently enacted Education Amendments of 1976. The major advances for postsecondary education during 1977-1978 are likely to be in the areas of improved administration and increased funding for already authorized federal programs.

Beyond the three areas of concern listed above, SHEEO intends to give particular attention in 1977-1978 to the following issues:

1. The impact of recently enacted federal health professions education legislation on state policy and the policies and programs of institutions of higher education;
2. The need to amend the recently enacted Veterans Education Assistance legislation to correct basic flaws and to curb

excessive involvement of the Veterans Administration in education policy matters that are properly the concerns of the states and institutions of postsecondary education and not of the federal government;

3. The role and responsibility of postsecondary education in addressing the national problem of youth unemployment; and

4. The need for exploration of greater involvement of states in federal strategies to curb abuse in student assistance programs.

Policy Positions for 1977-1978

A. Federal/State/Institutional Relations in Postsecondary Education

SHEEO urges the new Administration and the Congress to use this period in which new authorizing legislation related to postsecondary education is not being considered to undertake a broad examination, in cooperation with representatives of the states and institutions of postsecondary education, of ways to improve the delivery of postsecondary education assistance and services through more effective coordination of existing federal, state and institutional programs.

Since 1972, some progress has been made in implementation of the concept of a federal/state partnership in postsecondary education. Two provisions of the Education Amendments of 1972 -- the 1202 commissions and the State Student Incentive Grant Program (SSIG) -- contributed significantly to that progress. The education Amendments of 1976 continued and reinforced the advances of the 1972 Amendments through the reauthorization of the 1202 commissions and SSIG provisions and the authorization of new federal/state programs.

1. Student Assistance

Beyond advances made by legislative changes, much of the progress since 1972 in federal/state relations in postsecondary education has been achieved through leadership and administrative actions of the U.S. Office of Education (USOE) and especially of the Bureau of Postsecondary Education. The national work conferences on federal/state/institutional relations in student assistance sponsored by the Bureau of Postsecondary Education in 1974 served to focus national attention on the need for improved coordination on matters such as application forms, processing and timing of applications, needs analysis systems and awards determination and disbursement.

A major impetus for improving coordination in the delivery of student assistance was given by the National Task Force on Student Aid Problems, chaired by Francis Keppel, and the follow-up group, the National Coalition for the Coordination of Student Financial Aid. These groups focused primarily on three issues that undergird most other recommendations for improved coordination. The first was the need for a common application form; the second was the need for a common, or at least comparable, needs analysis system (the so-called "consensus model"); and the third was the need for a common calendar for management of federal and state student aid.

SHEEO strongly endorses efforts to achieve in 1977-1978 the coordination among federal, state and institutional student assistance programs, and in particular, the development and implementation of:

- a common calendar for management of federal and state student aid programs,

- a common application form and
- a uniform methodology for determining need.

Furthermore, SHEEO urges the U.S. Office of Education to continue efforts to improve the exchange of information between the federal government and the states regarding the planning management and delivery of student aid.

2. Coordination of State-Related Programs in USOE

SHEEO recommends that there be established within the U.S. Office of Education a mechanism involving both the Bureau of Student Assistance and Bureau of Postsecondary Education for ongoing joint planning and coordination among the programs administered by the bureaus which have a direct or indirect relationship to the states. The exact approach taken to achieve this joint planning and coordination should be for the Commissioner of Education to decide. The objective should be to provide a focal point within USOE for consideration of state/federal planning and policy concerns which transcend the concerns of any single categorical program. USOE should continue its efforts of recent years to provide for ongoing consultation with representatives of state higher education agencies in the formation of policies and procedures which will have a direct or even indirect impact on state policy in postsecondary education.

3. Congressional Oversight

With respect to the Congress, SHEEO urges that the House Subcommittee on Postsecondary Education undertake a series of oversight hearings on the concept of a federal/state/partnership in postsecondary education. A series of oversight hearings such as this would be in marked contrast to the hearings conducted by the subcommittee in the past which have generally focused either on specific federal programs or on functional areas such as student assistance, loan programs, work-study programs or graduate programs. Within the broad oversight authority of the subcommittee, the hearings could cut across individual postsecondary education/categorical programs, including programs beyond the immediate authorizing jurisdiction of the committee, and could address the issues of the relationship or lack of relationship among federal, state and institutional programs aimed at similar substantive issues and the impact of federal policies on state and institutional policies and financing in postsecondary education.

B. Implementation of the Education Amendments of 1976

1. Amendments to the Vocational Education Act of 1963

With respect to the implementation of the 1976 amendments, SHEEO makes the following recommendations to the U.S. Office of Education:

a. That the federal rules and regulations implementing the 1976 amendments be as brief and simple as possible so as to place the major responsibility on the states to achieve the substantive objectives of the Act in relationship to the needs and resources of each state and within the structures for state planning, governance and administration unique to each state;

b. That the U.S. Office of Education monitor carefully the compliance by state boards of vocational education with the requirement that representatives of the state agency or agencies responsible for institutions of higher education, for community and junior colleges and for comprehensive planning for postsecondary education be actively involved in the development of the five-year and annual program plans;

c. That the U.S. Office of Education, in its review and approval of five-year plans and annual program plans, give emphasis to efforts of state boards of education to consider the full range of postsecondary resources in the state to meet the vocational education and training needs within the state. In the case of states with a single state higher education agency with responsibility for the full range of postsecondary education, the U.S. Office of Education should require and encourage state boards of education to recognize the importance of getting the advice and involvement of such a single agency to reflect the multiple types of institutions and programs for which the agency is responsible;

d. That within the U.S. Office of Education, the Commissioner of Education provide for involvement of the Bureau of Postsecondary Education in the development of rules and regulations and in the implementation and monitoring of the 1976 amendments to the Vocational Education Act. The Bureau of Postsecondary Education should also be involved in the review of state five-year plans and annual program plans and in the review and analysis of state vocational education programs re-required by the 1976 amendments.

2. Implementation of Amendments to the Higher Education Act of 1965

SHEEO believes that the efforts of the U.S. Office of Education to achieve broad participation in the development of guidelines and regulations initiated following the 1972 amendments have significantly improved the chances for effective implementation of new and revised federal programs. In seeking that broad participation, however, the U.S. Office of Education should make special provision for consultation with persons with policy-level responsibility at both the institutional and state levels. Particularly critical in the process are the state higher education agencies and their officers and boards. Too often the regulation drafting process is dominated by the narrowly focused interest groups that may have been responsible for enactment of a specific amendment or categorical program. While state higher education executives, by the nature of their broad planning, coordinating or governing responsibilities, may not have detailed knowledge of the technical aspects of certain proposed regulations, they have a perspective about the interrelationships among programs and the potential policy impact of various alternatives that would be of great value to the U.S. Office of Education in the rulemaking process.

The following are comments and recommendations on specific provisions in the Education Amendments of 1976 of particular concern to the states:

a. Federal/State Relations in Student Assistance

In an earlier section of this policy statement, recommendations are made regarding improvements in the federal/state/institutional partnership in student assistance that can be achieved through the administrative leadership of the U.S. Office of Education. We again emphasize that much can be accomplished through such leadership without further amendments to the authorizing statutes.

Two specific provisions within the amended Title IV, Student Assistance, of the Higher Education Act, deserve special attention in the rulemaking process:

(1) Development of Procedures for Multiple Processing of Basic Educational Opportunity Grant (BEOG) Applications The development of procedures that will allow state processing of BEOG applications provides an opportunity for demonstration of the feasibility and benefits of this kind of federal/state coordination. SHEEO urges the U.S. Office of Education to proceed expeditiously to develop the guidelines and criteria to implement this provision in a manner that permits the pilot testing process to begin for the 1978-1979 year. Two or three years will be necessary to demonstrate the benefits of this effort and to justify the added costs that will be involved, and a high priority should be assigned to an evaluation plan that assesses costs and benefits as development of this process continues.

(2) Requirement that Students in All Nonprofit Institutions be Eligible Under the State Student Incentive Grant Program (SSIG)

The amendment to the SSIG program requiring that programs provide, after July 1, 1977, that students attending nonprofit institutions of higher education in the state be eligible for state grants directly conflicts with the constitutions of several states. SHEEO recommends that the House Subcommittee on Postsecondary Education and the Senate Education Subcommittee consider, at the earliest possible time, a technical amendment to this provision to allow at least for a delay in the implementation of the requirement until the 1978-1979 academic year. Prior to that academic year, the Congress should amend the requirement to reflect the variations among the states in constitutional provisions and state laws related to eligibility of students for assistance under state programs.

b. Community Service and Continuing Education, Lifelong Learning, Education Information Centers and Expansion and Improvement of Community Colleges

Although Title I, Part A (Community Service and Continuing Education); Title I, Part B (Lifelong Learning); Title IV, Part A, Subpart 5, (Education Information Centers); and Title X (Establishment and Expansion of Community Colleges) are distinguishable programs with separate authorizations, they are or should be integrally related to each other. Each involves statewide planning and each is addressed to related problems and communities within the postsecondary education universe. Accordingly, SHEEO strongly recommends that, in guideline development and administration, the U.S. Office of Education and the states make every effort to coordinate these programs in relation to each other and the overlapping communities they are designed to serve.

c. The Role of 1202 Commissions

SHEEO urges the federal government to reinforce and utilize more effectively the state postsecondary education commissions (1202) authorized in the Education Amendments of 1972 and expanded in function in the Education Amendments of 1976. State planning for community services and continuing education, planning and development of education information centers, planning for community colleges and graduate education and the new provisions for support of interstate planning should each be viewed as integral parts of their general planning functions of the state postsecondary education commissions (1202), rather than as separable and piecemeal planning operations related only to the specific programs in question.

III. PROPOSED RECOMMENDATIONS FOR APPROPRIATIONS

The attached chart shows the appropriations for fiscal year 1976, the Carter Administration Budget and the Conference Report figures for the fiscal year 1977 Supplemental Appropriations bill and the Carter Budget and proposed SHEEO recommendations for fiscal year 1978 for selected higher education programs and the National Institute of Education.

RECOMMENDATIONS FOR APPROPRIATIONS FOR SELECTED FEDERAL PROGRAMS FY 1978

	(MILLIONS)				
PROGRAM	FY 1976 APPROPRIATIONS	FY 1977 CARTER BUDGET	FY 1977 HOUSE/SENATE CONFERENCE REPORT	FY 1978 CARTER BUDGET	FY 1978 SHEEO RECOMMENDATIONS
Student Assistance					
Basic Educational Opportunity	$1,325.8	$1,629.0[1]	$1,903.9	$2,316.0	$2,316.0
Supplemental Educational Opportunity Grants	240.1	240.1	250.1	240.1	250.1
State Student Incentive Grants	44.0	44.0	60.0	44.0	100.0
College Work Study	390.0	390.0	390.0	390.0	390.0
Direct Loans	332.0	15.0	311.3	15.0	311.3
Subtotal: Student Assistance	$2,331.9	$2,318.1	$2,915.3	$3,005.1	$3,367.4
Student Financial Assistance Training	-	-	-	-	$ .28
Community Service and Continuing Education (Title I, Part A)	$ 12.1	$ 12.1	$ 14.1	$ 12.1	$ 20.0
Lifelong Learning (Title I, Part B)	-	-	-	-	5.0
Education Information Centers	-	-	-	-	15.0
Comprehensive Planning (sec. 1203(a))	3.5	3.5	3.5	3.5	7.0
Interstate Planning (sec. 1203(c))	-	-	-	-	2.0
Community Colleges (Title X)	-	-	-	-	7.0
State Planning Programs	-	-	-	-	-
Fund for Improvement of Postsecondary Education	11.5	11.5	11.5	11.5	20.0
National Institute of Education	70.0	90.0	70.0	109.0	120.0

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[1] Excludes $212 million additional amount borrowed from FY 1977 appropriations for BEOG

IMPACT OF THE STATE STUDENT INCENTIVE GRANT PROGRAM ON STATES

Testimony to
The House of Representatives
Subcommittee on Postsecondary Education
of The Committee on Education and Labor

June 8, 1977

Mr. Chairman and honorable members of the Committee:

My name is John Lee, I am the director of a study of the State Student Incentive Grant Program and State Scholarship Programs for the Education Commission of the States. I appreciate this opportunity to present material to you describing some of the conditions impinging on the institutional-state-federal relationship in the field of student financial aid. The material comes from a study of the State Student Incentive Grant Program/State Student Aid Programs which ECS is carrying out in conjunction with the National Center for Higher Education Management Systems in Boulder, Colorado. I urge the members to keep in mind that they are looking at early draft material which has not undergone final editing. The final draft will be available at summer's end.

I want to do two things today. First, show some evidence of the impact of the SSIG program on states. Second, make clear the diversity among the state student financial aid programs.

The State Student Incentive Grant Program was authorized in 1972 as part of Public Law 93-318. It provides 50-50 matching grants to states to stimulate the investment of additional state resources in scholarships for undergraduate students with substantial financial need. The first year of operation was 1974-75 when $19 million were shared among states according to their enrollment in higher education. Appropriations moved to $20 million in 1975-76, $44 million this year and $60 million next year. In that same period states have expanded their programs by more than $200 million, from $440 million to $645 million this year.

The SSIG Program legislation provides a wide degree of latitude for states to operate. The only major constraints on states are:

--The program is administered by a single state agency.

--The total of an individual student grant does not exceed $1,500.

--Recipients are selected on the basis of substantial financial need.

--The federal portion of such grants must be matched from increases in the amount expended by the state two years prior to the initial year of program operation.

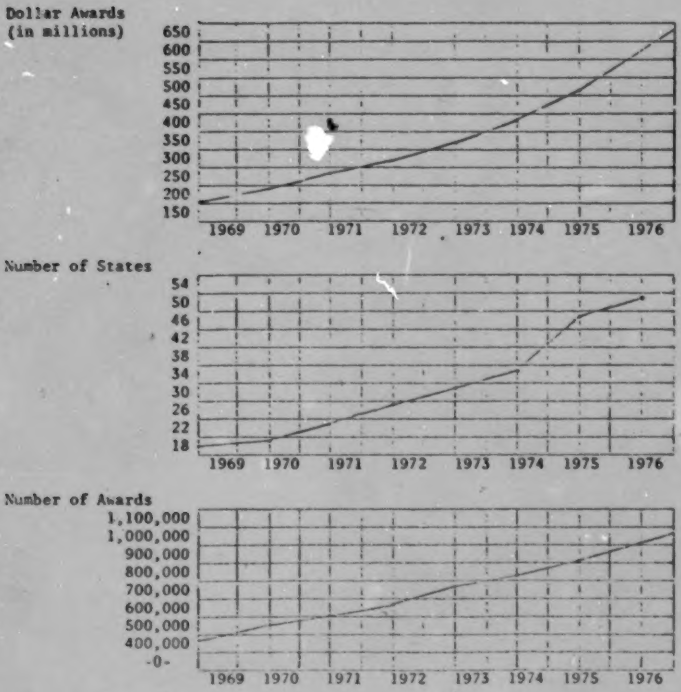
The program has been developed and operated with the flexibility indicated by the original legislation. Many observers credit this adaptability as a major factor in the success of the SSIG Program.

It is difficult to isolate the impact of the federal SSIG Program but there is evidence that it provided incentives for states to initiate student grant programs and for the smaller states to expand existing programs.

The following three graphs show the increase in state dollar awards from 1969-1976, the number of states involved and the number of awards. The notable increase in the number of states providing financial aid between 1974 and 1975 can be assumed to be a response to the SSIG Program. In total, 23 states have initiated a student aid program since the first year of SSIG funding. It is apparent that SSIG has been a strong factor in the development of these state programs.

TABLE I

1976-77 Survey



(Source: 1976 NASSGP Summary)

In 1969-1970 the ten states with the largest programs were providing 96 percent of all the state student aid which amounted to $200 million. Nine of those ten states are still among the top ten today. In 1976-77, however, those same ten states provided only 76 percent of all the state grant funds. The growth of the smaller state programs has outstripped that of the established states. The following chart summarizes the changes in the top ten programs from 1969 to 1976. The evidence indicates that the smaller state programs have developed more quickly than the previously existing large state programs. It is concluded that SSIG has been an effective tool to stimulate growth of new programs.

CHART I

The top ten states providing student grants in 1969-70 to 1976-77

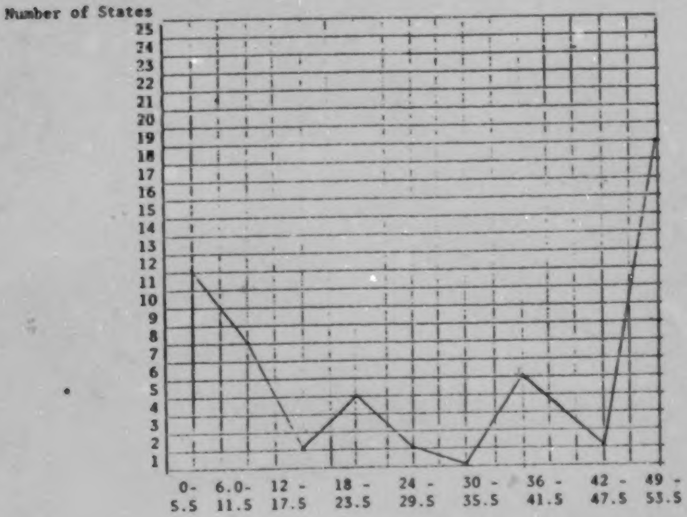
State	Award Dollars (in million) 1969-70	Award Dollars (in million) 1976-77	(1976-77 Rank)	% Change 1969-1976
New York	58,800	197,300	(1)	236%
Pennsylvania	51,900	70,360	(2)	35%
Illinois	26,000	68,200	(3)	162%
Michigan	12,500	25,389	(6)	103%
California	12,288	62,770	(4)	410%
New Jersey	11,850	27,906	(5)	135%
Indiana	3,080	19,159	(9)	522%
Wisconsin	2,950	19,202	(8)	551%
*Maryland	2,900	1,801	-	-38%
Massachusetts	2,000	13,180	(10)	559%
10 State Total	184,268	505,267		174%
National Total	191,484	645,385		237%

*Maryland would be replaced by Ohio in 1976 with a program of $19.9 million in 1976 which ranks seventh.

Now that nearly all the states have developed SSIG Programs, the country has two distinct sets of state programs. Those in which federal SSIG dollars make up a relatively small proportion of the state programs and those which provide the minimum match with federal dollars. Table 2 shows the split rather clear . There are twenty states in which federal SSIG dollars make up less than 12 percent of the state student financial aid total. On the other side of the graph there are eighteen states that are just meeting the 50 percent match demanded by the federal legislation. There are only sixteen states that fall between these two extremes. This categorization makes clear the difference between states in terms of the magnitude of the student financial aid programs.

TABLE 2

Count of states by % of all funds in state grant programs/SSIG funds
(Based on 1976-77 NASSGP Survey)



Program Diversity

In the 1976 Amendments to the SSIG Program, a clause was added which made all non-profit institutions of higher education in the state eligible to participate in the state program. A technical amendment has put this in abeyance for the next year, but the issue needs to be resolved in the near future.

There are several factors that should be considered. For instance (1) what should be done where states have a constitutional restriction against aiding students in sectarian institutions? Those states are Colorado, Hawaii, Kentucky, Missouri, Montana, Nebraska, New Mexico, Pennsylvania, Utah, Virginia and Washington. (2) Twenty-four other states either have a statute or policy statement restricting aid to some category of institutions. (3) In some instances students in certain classes of institutions are excluded from participation in state programs because the institutions do not have appropriate accreditation. The state in some instances uses different procedures that the Office of Education uses for determining institutional eligibility. This results in some institutions being eligible for federal programs and ineligible for state programs.

The state constitutional prohibitions are not easy to interpret. Many states have constitutional language that is more restrictive concerning aid to religious schools than the federal constitution. How that language is interpreted in the case of aid to students is variable. It should be noted that court cases may restrict aid to institutions other than sectarian schools. For example, the courts in Pennsylvania declared that the state should not provide aid to hospital schools of nursing because they were not institutions of higher education according to state law. Most states do not have a definitive court case in the field and are usually guided by a state attorney general's interpretation.

The second problem, that of accreditation, is perhaps more difficult to deal with. States with no law prohibiting aid to students in sectarian institutions may disqualify the schools because they lack appropriate accreditation. This is also a problem for vocational schools that lack the more traditional accreditation. States have devised a number of ways to recognize institutions for student aid purposes, many of which differ from the Office of Education lists. It is not clear how the federal government and states can agree on a list of accredited non-profit institutions for student aid purposes without mandating a national list of accredited schools. One option that has been suggested is that of allowing each state to determine its own list of eligible institutions. However the non-profit clause is finally implemented these two factors should be given careful consideration.

The following chart displays for each state the institutional types that are excluded and the reasons for the exclusion. As I have indicated earlier, the issue is very complex and lends itself unwillingly to the specific categorization demanded by a chart.

CHART 2

Institutions Excluded from Eligibility for State Student Aid Programs

STATE	Privates	Publics	Two-year jr. college	Hos. Schools of Nursing	Allied Health Programs	Sectarian Institutions	Less than two-year non-profit	Proprietary	Attendance at out-of-state institutions	REASONS FOR EXCLUSION	Constitution	Statute or Policy	Court Ruling	No Restrictions
	Excluded Types of Institutions													
Alabama					X	X			X					X
Alaska (1)														X
Arizona (1)											X	X		
Arkansas				X	X				X			X		
California									X					X
Colorado	X			X	X	X		X	X		X	X		
Connecticut				X	X			X						X
Delaware							X							X
Dist. of Columbia				X	X									X
Florida					X			X	X			X		
Georgia					X	X		X	X			X		
Hawaii	X		X	X	X			X	X		X		X	
Idaho				X	X				X					X
Illinois						X	X	X	X			X		
Indiana				X	X	X		X	X			X		
Iowa					X	X		X	X				X	
Kansas				X	X	X		X	X			X	X	
Kentucky					X	X	X		X		X	X		
Louisiana				X	X			X	X					X
Maine (2)		X		X	X				X					X
Maryland				X	X			X	X			X		
Massachusetts					X		X					X		
Michigan				X	X	X	X		X			X		
Minnesota									X					X
Mississippi				X	X			X	X			X		
Missouri				X	X	X	X	X	X		X	X	X	
Montana	X			X	X	X		X	X		X	X		
Nebraska	X					X	X		X		X		X	
Nevada (1)														X
New Hampshire				X	X				X					X
New Jersey					X	X	X	X				X		
New Mexico						X		X	X		X			
New York									X			X		
North Carolina					X	X			X			X	X	
North Dakota					X			X	X			X		
Ohio				X	X	X		X	X			X		
Oklahoma				X	X			X	X					X
Oregon						X		X	X			X		
Pennsylvania						X	X					X		
Rhode Island (3)					X			X						X
South Carolina		X		X	X		X	X	X			X	X	
South Dakota									X					X
Tennessee				X	X	X		X	X			X	X	
Texas				X	X			X	X			X		
Utah				X	X			X	X		X			
Vermont							X							X
Virginia				X	X	X	X	X	X		X	X		
Washington				X	X	X		X	X		X	X	X	
West Virginia				X	X		X	X	X					X
Wisconsin								X	X					X
Wyoming (4)	X			X	X				X					X
American Samoa			X		X							X		
Guam			X					X						X
Puerto Rico			X	X				X	X			X		
Trust Territory												X		
Virgin Islands				X	X			X				X		

(1) Information is incomplete because there was no active SSIG program at time of study.
(2) Two-year public/vocational/technical only. University of Maine provides own program.
(3) War orphans' scholarship provides aid to hos. schools of nursing & proprietary. No general
(4) No private colleges in state.

Conclusion

The SSIG Program has been successful in providing incentives for states to become involved in student financial aid programs. The states are in various stages of development. Some have large staffs and computer support, while others are operated with a minimum of staff support. Nearly half the states are still in a beginning phase of operation, just providing the minimum match to the federal share.

It should be pointed out that SSIG programs are only one part of the states efforts to provide financial support to students. In most states, need based grants are the largest share, but many other programs operate to provide other support basis. There are programs that provide support for dependents of military personnel, policemen and firemen killed or disabled in the line of duty. There are programs to support academically talented students. Other programs have been developed for students in training for various medical professions. There are also state grants for Indians and bilingual students. State programs also vary in the way money is provided to students. There are eight states with work-study programs. Several states have extensive systems of tuition remissions in the public colleges as a form of support. Other states have loan programs. The SSIG Program is often one program of many in the state.

Consideration should be given to the manifold programs that make up a states' student financial aid programs and how SSIG fits into that mix as the future directions of SSIG are plotted.

The federal effort to make state SSIG Programs more uniform will cause a great deal of difficulty for many states. It has been pointed out that eleven states have constitutional constraints on aiding schools of a religious nature. Other institutions are excluded from state programs on the basis of accreditation procedures. If the inclusion of all non-profit schools is not modified, several states will be forced to drop out of the SSIG Program and others could face extensive litigation to clarify the constitutional constraints on aid to students. There would also need to be some way to reconcile the various accreditation systems so that all parties could agree as to which institutions would be declared a non-profit institution or higher education.

The importance of the SSIG Program outstrips the magnitude of its appropriations. There is the continuing potential to:

--Increase state interest in responsibility for providing student financial aid;

--Reinforce and supplement federal and institutional student assistance programs; and,

--Provide planning, administration and data gathering services at the state level.

JL:mb
6/6/77

TESTIMONY ON STATE GRANT AND SCHOLARSHIP PROGRAMS
DELIVERED TO THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION, U.S. HOUSE OF REPRESENTATIVES
BY
Dr. Haskell Rhett

Assistant Chancellor, New Jersey Department of Higher Education
President, National Association of State Scholarship and Grant Programs

June 8, 1977

I appreciate this opportunity to present some thoughts on the state-federal-institutional relationship in postsecondary education, with particular reference to the role of state government in coordinating student assistance grant programs. I present these thoughts both on behalf of the New Jersey Department of Higher Education and the National Association of State Scholarship and Grant Programs. You may be interested to know that this Association is composed of 53 states and territories that now sponsor need-based undergraduate scholarship and grant programs. In 1976-77 over one million students held grants distributed through these programs, worth about $650 million. The student grant programs in New Jersey are currently funded with about $30 million in state appropriations, which makes New Jersey the fifth largest state in terms of student grant dollars. The state's student assistance programs include three major state grant programs that focus on tuition aid, academic scholarship, and educational disadvantage, as well as a Guaranteed Student Loan agency that currently guarantees over $70 million in loans annually, making New Jersey's guaranteed loan agency the third largest in the nation.

In New Jersey we are now in the midst of extensive plans to consolidate and coordinate our grant programs with those of the federal government and of the institutions in 1978-79. In approaching this problem I feel a certain empathy with my federal colleagues, as our state programs have grown up over the years much as have the federal programs, with separate rules and regulations, different target populations, varying program procedures and deadlines, and the whole litany of potential conflicts and contradictions that confront those who attempt to consolidate or at least coordinate federal programs.

In developing our plans I have been struck by the fact that the roles to be assumed by state, federal, and institutional programs have not been coherently defined. I have read and listened to a good deal of philosophy on the subject, and I have also been exposed to many technical and operational problems. I am left with the feeling that there has not been an organized or pragmatic approach that lies between philosophy and operational detail. It seems to me, for instance, that one can define the roles much more distinctly by attempting to define what each sector now can do best. Programs in all sectors have been around long enough to develop some distinctive strengths and weaknesses, and our goal should be to broaden the strengths that now exist and minimize weaknesses, as well as duplication.

I would like to offer a few operational examples. What sort of thing can states do best? State agencies typically are rather proficient at the allocation process, since they are charged with the allocation of the great majority of public funds spent on postsecondary education, of which student assistance funds represent only a small portion (10% in New Jersey). They also have existing strengths in auditing and verification procedures, because most state programs not only audit but are subject to audit. In our student assistance programs our objective is to verify income data for every student that receives a grant. State agencies can also excell at certain services that require some familiarity with the state population, such as loan default, delinquency, and collection work. I am sure you have all seen statistics displaying the significantly lower default rates in state Guaranteed Student Loan agencies when compared to direct loan programs.

Following this thought along, how could these capabilities be used to confront some of the most pressing problems in federal programs of student assistance? In the case of "fraud and abuse", which is finally becoming an area of critical attention, the federal government could engage in some creative contracting so that the problem could be solved without projecting massive increases in staff and central funding. In Pennsylvania, for instance, auditors from the state agency concerned with student assistance also work under contract to HEW so that the results of their institutional audits will encompass federal programs and be forwarded to HEW for action. This arrangement saves the colleges redundant audit visits and saves the taxpayers the price of two audit staffs where one will do. As I have indicated, verification of income is another case where states can help. As we move into multiple processing of Basic Grant applications, we could contract with the federal government to furnish verification information on those Basic Grant cases that also hold state awards (more than one-half in my state) thus diminishing the number of students needing some central verification in the Basic Grant program. In many states access to state income tax records also makes this process more efficient.

With regard to allocation of funds, the General Accounting Office issued a report in 1974 which called the existing regional panel review process "not equitable" and called for an allocation role for state agencies. The state agencies are used to playing a broker's role in allocations, and are in an uncommonly good position to do so, with verified data on enrollments and program resources. At present these agencies play absolutely no role in the allocation of federal campus-based student aid between and within the states. Indeed, the present institutional allocation process seems much like mailing IRS forms to each taxpayer and asking him what he would like to pay. Do not think for a minute that shortening the form changes this process. I would suggest that the results of the present peer review process are its own indictment, as the resources allocated bear no systematic relationship to the measured needs of the student population, taken by state or by institution. Just as each student has an aid "package" developed on the basis of the federal Basic Grant, followed by state grants and campus-based funds, so should student aid funding within a state be developed by a fact-based federal grant, allocated through a state agency, which can then make appropriate allocation of its state funds in a coordinated fashion to insure equal treatment for equal need.

One might well ask why I speak to you about concerns that could be essentially administrative. My answer would be that this definition of state, federal, and institutional roles lies at the heart of moving from the present array of programs into a more coordinated structure, with assigned functions based on proven strengths.

Guidance from Congress seems absolutely necessary here. As an example, I would note that the federal government had the capability of contracting with states for decentralized processing of Basic Grant applications under the provisions of the 1972 Education Amendments, but never used it. It was not until this Subcommittee added the amendment mandating a state role in Basic Grant processing to the 1976 Amendments that staff from the U.S. Office of Education began to consider alternatives to massive centralized processing. The present direction, of "multiple data entry" to the Basic Grant program, allowing the use of standard or common forms, is most encouraging, but it would not have happened without your legislative direction.

Another way to assign proper roles, quite compatible with the operational definition approach, is through financing responsibilities. States, I would assert, bear the prime responsibility for tuition-related student assistance, as public tuition levels are a direct result of state subsidy decisions. The federal government role should focus more on other educational costs that are driven by regional and national economic trends. States also have a direct responsibility to aid student populations reflecting state demographic characteristics. In New Jersey we have developed programs for the disadvantaged, as well as for the academically able, that go beyond federal programs and our own tuition aid programs to furnish targeted support.

In closing, allow me to add a note of balance. I have attempted to touch on what state programs do well, and now I would like to touch upon what they cannot do well. They cannot work well under federal restrictions that go across state policy. Such restrictions, in my opinion, include the mandated inclusion of all non-profit institutions in the SSIG program, even though 26 states have existing state supreme court, constitutional, or statutory provisions that explicitly prevent such participation in the state grant program. They also include excessive restrictions that separate funds available for incentive programs such as SSIG into initial and continuing awards, with limits on the amount of money to be used for initial awards. As long as such restrictions remain, it is inevitable that state legislatures will locally determine courses that run contrary to such administrative restrictions, thus necessitating the elimination of states from participation in one of the most successful federal programs.

Finally, I would also urge the Congress to consider the effects of similar federal programs with provisions that do not conform with each other, such as the National Direct Student Loan Program and the Guaranteed Loan Program. Are students receiving equal treatment under the law when some can borrow money for education at 3% through a federal program when others borrow at 7%? Does this set up a desirable market condition? We realize full well that with an emerging state role in this partnership comes the imposition of federal standards, but the partnership will not be a working one unless the standards are both consistent and take into account the existing standards that have been set by states.

STATEMENT OF M. WILMER MIRANDON, PRESIDENT
NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS
TO THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
U. S. HOUSE OF REPRESENTATIVES
JUNE 8, 1977

My name is J. Wilmer Mirandon. I am the current president of the National Council of Higher Education Loan Programs - the national organization of state and private not-for-profit agencies which administer the Guaranteed Student Loan Program. My regular, full-time job is president and chief executive of United Student Aid Funds, Inc. a private, not-for-profit corporation located in Indianapolis and New York City.

How are the amendments working so far?

The Education Amendments of 1976 have already proven to be effective. The expansion of the $15,000 adjusted gross income provision to the middle-income level of $25,000 gives more student borrowers the privilege of subsidized interest payments during the in-school period. Banks have been reluctant to handle non-subsidized interest loans that require the monthly or quarterly billing of students while they are in school. So this amendment has also relieved lenders of expensive, extra paper work.

The new equality between the Guaranteed Agency program and the FISL program, now found in the revised reinsurance and collection provisions, is already stimulating increased activity and recoveries from delinquent students.

Several former FISL states that lacked agencies are being encouraged to establish more effective delivery systems on a local and more personal basis by the significant allowances, administrative fees and other financial incentives that you have provided. However, some have expressed concern about the receipt of these allowances in time to convince their state legislatures of the need to move ahead quickly.

What improvements are still needed?

A dominating problem facing student lenders is the enormous amount of paper work and record-keeping required. The Federal law and regulations issued by the Office of Education prescribe in minute detail the terms and condition under which student loans may be made. Interest provisions, maximum loan amount and period of repayment, fees and restrictions concerning student loans are already tightly in place. It seems illogical to require redundant paper work of private lenders who have supported the program so superbly and almost solely on a pro bon publico basis. We recommend that an analysis of unnecessary student loan paper work be made and that amendments be introduced to encourage lenders by eliminating such redundancies. The loan disclosure statement required by Regulation Z should be a prime target of such an analysis.

Another vital improvement pertains to the bankruptcy moritorium which we understand is expected to be eliminated by H.R.6, currently under enactment. It should be emphasized that the Council does favor the ability of student borrowers to be adjudged bankrupt without delay in cases of severe hardship. However, bankers, judges, businessmen, educators and other good citizens across the nation with whom we deal abhor the unscrupulous use of bankruptcy by students who wipe out their obligation immediately upon graduation or withdrawal from school and deny these funds to other students. We believe that a student loan is an education in itself and that an inexperienced student, borrowing for the first time, should not be led to believe that it is a means of circumventing the traditional American system of credit. A not yet credit-worthy student obtains a loan purely because it is guaranteed. The loan serves as a "new lease on life" for the student. Therefore, the circumstances are virtually identical with bankruptcy at the time the loan is obtained. Since a person who has been adjudged bankrupt may not file again until six years expire, we believe students should be caused to carry their obligation for a five-year period (following the one-year grace provision) unless confronted by severe hardship. Student bankruptcy is a matter of moral principle and is not related to how many students abuse this means of relief.

An improvement that is imperative for the success of the program concerns the basic value of the special interest allowance provided for private lenders. Banks across the country have placed almost $10 billion of private capital into student loans at an immense savings to the taxpayer. Approximately $4 billion are outstanding at the current moment. Probably half of the interest income derived by banks from these student loans, which is marginal at best, is nevertheless returned to the Federal treasury as tax revenue. Improvement of the zero to 5% special allowance provision be setting a floor of at least 1-1/2%, thus assuring a minimum 8-1/2% overall yield, is essential in order to make the program a "bankers' program," as it was originally conceived. This is particularly needed by banks that were locked into the FISL program and caused to be highly critical of the Federal processing delays and unanswered inquiries. Probably the most important aspect of the Guaranteed Student Loan Program, as practiced successfully in states that have had agencies for almost two decades, is the importance of maintaining a clear understanding of the credit obligation involved. This is best derived from a pluralistic system in which experienced bankers, rather than schools or government make loans to individuals. To corrupt a good system with impersonal, long-distance, inexperienced lending could eventually cause the new program to revert to the same excessive defaults as found in the FISL program. Consequently, the Council favors the precepts upon which the program was originally based, with banks lending, schools teaching and government governing. We ask Congress to do its best to induce conventional lenders not to abdicate their role in this effort.

Other problems ahead

The cost of medical education has ballooned in recent years and Congress has attempted to alleviate this pressure with the Health Professions Educational Assistance Act of 1976. However, many operational requirements of this act necessitate time-consuming refinements in order that practical application can take place. We strongly recommend that the valuable contributions of this act be appropriately modified and incorporated into one program, the Guaranteed Student Loan Program, so that students, schools, lenders and state agencies, already in place and accustomed to a single program, are not confused by multiple rules and new regulations that come from unnecessary duplication. We in the state and private agencies have the lenders, know-how and desire to move these health services loans into the hands of students immediately, if duplicate programs - even within the Office of Education - can be avoided.

The Office of Education apparently has interpreted your mandate to encourage non-agency states in establishing local programs and to report back to Congress by June 30, 1977 with any additional legislation required to induce this transition, as requiring a prolonged study by outside consultants. This seems unnecessary. Sufficient data exist to convince any prudent governor of the alternatives and benefits open to his state. For example, (1) the National Council has prepared an analytical report on the methods, pitfalls and options available in creating a state operation, (2) a regional office of the Office of Education in cooperation with our Massachusetts member, has outlined the responsibilities expected from the various participants, (3) material recently acquired by the state of California from our states that now have agencies provides sufficient cost and procedural data to move forward without delay. Failing to encourage new states to act as quickly as reasonable causes misconceptions and doubt on the part of lenders, schools and students as to whether program improvements will in fact be made. This again tends to drive banks and other private lenders out of the program at the very time they are most needed. The National Council, at its own expense, is continuing to offer assistance to these new states and it is more than happy to help the Office of Education finish the job as quickly as possible. This ties into a serious concern of the new states as to whether adequate seed-money advances and administrative fee allowances will flow through the Office of Education soon enough to pay for start-up expenses. These states truly see the benefits to be derived from localizing their programs and gaining more personal relationships among students, schools, banks, and servicing agencies. However, they must assure their legislative bodies that funds will be available as promised.

It is heartening to appear before you and to witness the thoughtful consideration you are giving to a truly worthwhile program.

Thank you very much.

Mr. FORD. We call on Richard M. Millard, director, department of postsecondary education services, Education Commission of the States; Mr. M. Olin Cook, president, State Higher Education Executive Officers Association, executive director, Department of Higher Education for the State of Arkansas; John Lee, senior postsecondary education analyst, Education Finance Center, Education Commission of the States; and Haskell Rhett, assistant chancellor for student assistance, New Jersey Department of Higher Education, president, National Association of State Scholarship and Grant Programs; Bill Mirandon, president and chief executive officer, United States Aid Funds, Inc., New York, N.Y.

Gentlemen, you may proceed please. I assume Mr. Millard will lead off.

PANEL OF RICHARD M. MILLARD, DIRECTOR, DEPARTMENT OF POSTSECONDARY EDUCATION SERVICES, EDUCATION COMMISSION OF THE STATES; M. OLIN COOK, PRESIDENT, STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION, EXECUTIVE DIRECTOR, DEPARTMENT OF HIGHER EDUCATION FOR THE STATE OF ARKANSAS; JOHN LEE, SENIOR POSTSECONDARY EDUCATION ANALYST, EDUCATION FINANCE CENTER, EDUCATION COMMISSION OF THE STATES; HASKELL RHETT, ASSISTANT CHANCELLOR FOR STUDENT ASSISTANCE, NEW JERSEY DEPARTMENT OF HIGHER EDUCATION, AND PRESIDENT, NATIONAL ASSOCIATION OF STATE SCHOLARSHIP AND GRANT PROGRAMS; AND BILL MIRANDON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, UNITED STUDENT AID FUNDS, INC., NEW YORK, N.Y., AND PRESIDENT, NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS

Mr. MILLARD. Mr. Chairman and honorable members of the committee. My name is Richard Millard. I am director of the department of postsecondary education at the Education Commision of the States. We greatly appreciate the opportunity of testifying in these oversight hearings on Federal student assistance programs with special emphasis on the relationships among the Federal Government, the States and the institutions.

To present some of the State concerns we have brought together for this session Dr. M. Olin Cook, executive director of the Department of Higher Education in the State of Arkansas, currently the president of the State Higher Education Executive Officers Association; Dr. Haskell Rhett, assistant chancellor for student assistance and special programs, State of New Jersey, currently president of the National Association of State Scholarship and Grant Programs; Dr. Bill Mirandon, president and chief executive officer of United Student Aid Funds, Inc., and currently president of the National Council of Higher Education Loan Programs; and Mr. John Lee of the Education Commission of the States' staff and director of a study of the State student incentive grant program and State scholarship programs, a study currently being funded by the Office of Education. It is my function, briefly, to give something of the overview from the perspective of the Education Commission of the States. Mr. Lee will present a review of the current status of State scholarship programs and the impact of the State student incentive grant program on the States. Dr. Cook, Dr. Rhett, and Dr. Mirandon will speak from the perspectives of their various organizations.

The Education Commission of the States has been concerned with the importance of developing an effective State-Federal-institutional partnership in student assistance almost from its beginning as a Commission. In the fall of 1969 it established a task force on student assistance chaired by then Governor Norbert Tiemann of Nebraska. Its report, called Postsecondary Educational Opportunity: A Federal-State-Institutional Partnership, approved by the Steering Committee of the Commission in November 1970 and published in February 1971—well before the education amendments of 1972—was one of the first national documents calling for effective collaboration among the States, the Federal Government, and the institutions in insuring that student aid from the various sources does get to the students who dent aid. These include:

The central consideration or theme of the task force report was:

> From the standpoint of public policy the prime need is for a real Federal-State-institutional partnership in making equality of educational opportunity more of a reality in this country. Such institutional-State-Federal partnership in complementation of efforts alone can assure substantial progress in meeting the needs of students combined with reasonable, efficient and effective allocation of existing and future aid resources.

The report called attention to the fact that a number of States as well as the Federal Government were in the student aid business although up to that time there was no Federal recognition that this was the case.

Among other things, the report suggested that:

> One approach to the Federal role, and the one currently most in accord with the public interest, is that of assuring student aid through grants on a national minimum basis among the States and of encouraging the States, through matching funds, to develop their own effective programs.

There are certain guiding principles that in our opinion should underlie and form the State-Federal-institutional partnership in student aid. These include:

One: The function of the partnership and of delivery systems, as of student assistance programs in general, is to provide educational opportunity to citizens of the country who desire and can benefit from it. The primary function of coordination, organization and structure should be to insure that student aid moves as efficiently and effectively as possible to those students who need it.

Two: The Federal Government, the States, and the institutions all have responsibility for assuring access and choice to students who for economic or cultural reasons would otherwise not be able to attend postsecondary institutions commensurate with their interests, needs and abilities.

Three: While the various Federal, State, and institutional programs meet different but complementary needs it is critically important that they be coordinated to insure that they meet the range of needs for which they were designed without duplication, confusion or invitation to abuse. Within the range of programs the basic educational opportunity grant program is, in fact, basic in assuring a first step toward access and should be the foundation on which other programs build. State programs, institutionally based Federal programs, and various loan programs not only complement and extend access but help to provide the factor of choice.

Four: The States are in a unique position to coordinate Federal, State and institutional student aid activities. They are neither as far removed from institutions and students as the Federal Government nor are they limited in activities to the students inquiring of or applying to particular institutions. Accordingly, we believe that to the extent feasible information dissemination and collection, processing and program administration should be decentralized to the State level.

Five: If such decentralization is to be effective, however, the various Federal programs need to be adequately interrelated at the Federal level.

Six: In working with the States, the Federal Government should respect the diversity of the States, their structures, laws and constitutions, and given basic State capability develop both legislation and guidelines to capitalize on this diversity rather than attempt to enforce uniformity in structures and procedures.

We have made progress since 1971. The Education Amendments of 1972 in addition to including the basic educational opportunity grant program, which does in fact provide a base floor on which other programs can be built, also included the State student incentive grant program which, for the first time, not only recognized State involvement in student aid but provided incentives for States without programs to begin them and States with programs to expand them. The report of the task force had some impact on this legislation.

Even though the State student incentive grant program began with only a $50 million authorization, was not funded the first 5 years, and has been rather minimally funded since then, it has had major impact, as Mr. Lee will demonstrate. While SSIG has not been the only factor involved, State programs have increased from 21 States in 1969-70 with State appropriations of slightly over $191 million, to 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the trust territories appropriating approximately $650 million in the current year for need-based student assistance programs.

As you are aware, the Education Amendments of 1976 further recognized the State role in the student assistance picture by (1) expanding authorization under SSIG, (2) providing additional incentives for States to develop their own guaranteed student loan programs, (3) instructing the Commissioner to develop a strategy to involve more States in the guaranteed loan program, (4) providing for experimental processing of basic educational opportunity grants by a limited number of States, (5) providing two-thirds matching funds for States to help plan for and develop educational information centers, and (6) providing incentive funds to States to develop training programs for State and institutional student financial aid administrators. Not all of these additional steps have been funded or implemented to date but compared to pre-1972 when, with the exception of the option for States to develop guaranteed loan programs, all student assistance programs under the Office of Education wholly bypassed the States, this does represent major progress.

In addition, however, the concern with Federal legislative recognition of the role of the States in student assistance, the Education Commission of the States in cooperation with the other agencies represented here have been equally concerned with the development of administrative coordination of Federal, State, and institutional based programs to insure more effective delivery of programs to students. With the Office of Education, the State Higher Education Executive Officers, and the National Association of Student Financial Aid Officers in 1973–74 we cosponsored the national work conferences on the Federal-State-institutional partnership which, under the able direction of then Associate Commissioner for Student Aid, Dr. John Phillips, led to the first attempts to develop coordinated administration on all three levels.

This included information sharing, exploration of a common application form, and calendar coordination. ECS was represented on the executive committee of the national task force on student assistance chaired by Dr. Francis Keppel, which recommended and demonstrated the feasibility of a common application form, common needs analysis, and a coordinated Federal-State-institutional student aid calendar. Most recently, with the American Council on Education, we are cosponsors of the coalition for coordination of student financial aid, the followup and implementing group of the Keppel task force. The coalition worked closely with the Office of Education.

In this area some progress has been made, particularly in relation to grant programs. The Keppel task force helped bring together the college scholarship service and the American college testing program to develop a consensus model needs analysis system. Within the last 2 weeks the Secretary of Health, Education, and Welfare and the Commissioner of Education have announced the first major movement toward a common application form and a common date for starting the application process.

Perhaps even more important, agreement in principle has been reached with the Office of Education on a multiple data entry system in connection with the basic educational opportunity grant program. In harmony with the spirit of the Thompson-Eshleman amendment this means that beginning in 1978–79, those State agencies selected to handle data entry—according to commonly accepted criteria of processing capability—will collect basic grant data elements on agency applications, exchange data with the primary processor, and—if they choose—estimate the basic grant index and coordinate and exchange with the institutions this eligibility information, as well as corresponding information on State awards.

This will go a long way toward the effective coordination of the basic grants and State programs. Finally, on May 24 the Commissioner announced a simplified application procedure for institutions participating in the three institutionally based Federal aid programs—college work-study, supplemental opportunity grants, and national direct student loans—which should at least cut down on the paperwork for most institutions under the program.

Progress has been made in moving toward a Federal-State-institutional partnership within grant programs administered by the Office of Education and the States, but there is still a long way to go if the partnership is to be as effective as it might be across the range of student aid programs. Even within the need-based grant programs where the most progress is evident, additional steps could and should be taken.

The basic grants program is a cornerstone of access supplemented by State and institutionally based programs. It is through the State program reinforced by the institutionally based programs that the factor of choice in addition to access begins to have an effect. The SSIG program is by far the smallest of the Federal programs in terms of funding—$63.7 million for 1978—but it has been very successful.

We believe that this program should be further strengthened and given increased funding. But in so doing we would urge that the uniqueness and difference among the States be taken into account to keep the program flexible enough so that it can operate within the different State legal and constitutional structures. The confusion caused by requiring grants to be made to all "nonprofit" institutions this last year is a case in point. We greatly appreciate the delay in its implementation.

We would suggest that you consider either deleting the term "nonprofit" altogether or defining the term more carefully to avoid the constitutional questions it raises. Most of the Bible colleges and separate theological schools in America are nonprofit. The institutionally based programs are still not as integrated into the partnership as they might be. Currently these programs bypass the States and involve a distortion in the distribution of funds since the distribution takes place on the basis of enrollments rather than need. We would suggest a review of the panel procedures with an eye to more effective distribution of funds and more direct State involvement.

The guaranteed loan program offers a very different set of concerns. Even though the 1976 amendments strongly encourage movement toward State programs in those States that do not have them, very little movement has taken place toward implementation in this direction to date. No strategy or study to encourage the transition has been developed and, given the funding situation, the incentives under the SSIG program for States to move in this direction have not materialized. While the move to reunite the various administrative parts of the guaranteed loan program under the new Bureau of Student Aid is a step forward, this needs to be followed up with the implementation of strategy to encourage development of State programs in the States that do not have them.

It should be remembered that until the 1976 amendments, while States were permitted to develop their own programs, the incentives worked in the opposite direction. In spite of this the States with programs have had the lowest default and highest collection rates and have avoided some of the major problems the Federal program has had to face.

In this connection we would strongly urge that the new guaranteed loans under the Health Professions Act be administered through the existing guaranteed loan structures. To add a whole new guaranteed loan apparatus in the health professions can only confuse the picture and make coordination of the various student aid programs even more complicated. Ideally the various types of student support—grants, loans, and work-study—should be so coordinated both federally and at State and institutional levels that it would always be possible to know the combinations of support any student has and how these do or do not effectively complement each other in meeting his or her needs.

As you are well aware, the States play no role in relation to aid under the Social Security Act and there is a danger that they will be almost wholly bypassed under the new Veterans Education and Employment Assistance Act even though each State under the GI bill has a veterans approval agency. An effective information sharing process operating with and through the States which provides information about all forms of student aid, whether the aid comes from the Office of Education, the Veterans' Administration, social security or other Federal sources, or from State or institutional sources is an essential first step in developing the kind of coordination and complementation which is in the best interests of the students, the institutions, the States, and the Federal Government.

Our basic concern, as yours, is in effectively and efficiently meeting the needs of students in the States and the Nation. Student assistance in its various forms is vital to meeting these needs by providing greater opportunity through access and choice. The Federal Government cannot do this alone.

The institutions can work effectively only with those students or potential students who apply directly to them. The States are in a unique position to coordinate the various Federal, State and institutional efforts to insure that students and potential students receive the appropriate information, that the process is as simple yet effective as possible, that the various types of aid are used in complementation of each other, and that validated information and forms move smoothly in both directions.

We would urge that the States' role in effective coordination of the various student aid programs be recognized and utilized more fully to help all of us fulfill the national, State and institutional goals of postsecondary educational opportunity for all those who desire and can benefit from it.

Again, we appreciate the opportunity of testifying before the committee and congratulate the committee on carrying out its oversight functions in the critical area of student assistance.

Thank you, Mr. Chairman.

I might suggest that Mr. Lee probably might be next to follow up on the impact of the States student incentive grant program and then if it meets with your pleasure, Dr. Cook, Dr. Rhett, and Dr. Mirandon.

Mr. FORD. You may proceed, Mr. Lee.

Mr. LEE. Mr. Chairman, my name is John Lee. We have a copy of the testimony on record. If I might I would like to give you some of the highlights at this point. I would like to do two things today. First, I would like to give some information on the impact of the States student incentive grant program on the States and second, I would like to describe some of the characteristics that differentiate the States from each other.

The States student incentive grant program has been funded since 1974. At this time all States except one have a State student incentive grant program. The States are providing a total of $645 million in need-based grants to students. Not all of that is matched with State student incentive grant dollars from the Federal Government but have the same general goal.

The evidence indicates that SSIG has helped in the development of new State programs. Twenty-three programs have been developed since that first year of the State student incentive grant funding and it would appear that the small and newer programs have developed more quickly than those programs that were established prior to the SSIG program.

The 10 largest programs in 1969 and 1970 provided 96 percent of the State grants in the Nation. Those same 10 programs this year provide only 76 percent of the national total in State grants so the State students incentive grant program has been successful in providing impetus to new programs and to new States to get involved in the student grant business.

Now, if we look at the chart on page 5 of the testimony, it would be helpful to talk about that chart a little bit. States can be classified on this chart into three groups. The first group is those that provide minimum match of 50–50, one State dollar to one Federal dollar.

There are 20 States in that situation currently. They are the line on the far right of the chart. On the other side of the chart if you group those States together in which the Federal dollars provide less than 12 percent of the total State grant package, you have 18 States. The remaining 12—I excluded for the purpose of this chart the trust territories—fall in between these two extremes so in effect we have very different States in their matching with the Federal dollars.

These differences in magnitude underscore the difficulty involved in dealing with these very different entities in a single program. The States differ in a number of different ways other than just the magnitude of their match with Federal dollars.

This poses difficult problems. Let me say that the States student incentive grants office here in the Office of Education enjoys a good reputation with the States because they have been able to deal with the diverse States in a way that has been effective and positive. The original legislation allowed that diversity and I think this spirit and intent of that has been realized in practice.

There is a particular importance to the idea of diversity of States as it relates to the eligibility of all nonprofit institutions. That is the amendment that was put in in 1976 and has posed a great number of problems for States. If we look at the chart on page 8 labeled chart 2, we see there are 11 States that report constitutional restrictions against providing State funds to students in sectarian institutions.

There are 24 other States that either have State legislation or State policy restricting aid to some category of institution. It could be religious. It could be less than 2 years vocational, but some class of institutions are excluded by State law.

The third problem is the State eligibility of institutions for purposes of allowing students to receive State student aid is different from the Federal rules on eligibility. It would mean for example that an institution could be eligible for Federal financial aid and not be eligible for the State programs. Any resolution of the nonprofit issue should take these factors into consideration—the time necessary to change legislation, the constitutional restrictions, and the difference in how States determine eligibility of institutions and how that differs from the Federal Government.

Mr. **Ford**. I thought maybe you would have a specific suggestion about how we solve that.

Mr. **Lee**. We would be happy to answer questions about that. One suggestion that has been made is that the latitude be given to the States to determine for each State the nonprofit institutions for purposes of eligibility in States Student Incentive Grant programs.

Increasingly, let me say, the States Student Incentive Grant program is an important program and it has the promise to increase State interests and responsibility for providing student financial aid which I think has gone a long way in meeting that obligation.

Second, it reinforces and accepts Federal and institutional assistance programs and it provides a basis for planning, administration and data gathering at the State level which is an important advantage.

Thank you, Mr. Chairman.

Mr. **Ford**. Are you seriously suggesting that each State ought to be able to decide for itself the expenditure of Federal dollars, whether it will or will not support nonpublic schools?

Mr. **Lee**. I think in those 11 States with constitutional restrictions that they should have the opportunity to weigh that matter in the awarding of State dollars as well as the Federal dollars.

Mr. **Ford**. They have the opportunity to refuse to take Federal dollars.

Mr. **Lee**. That is always an option.

Mr. **Ford**. But the option you suggest I find completely unacceptable, the idea that you would use Federal dollars generated by people of all kinds in a way that would permit a State to discriminate against a student because of the kind of institution he goes to. That does not offend you?

Mr. **Lee**. In most States the institutions that are involved—there are 2 or 3 in most States—are those institutions generally that have a strongly religious nature. The State constitutions are often more rigid than the Federal on this point.

Mr. **Ford**. I understand the nature of the problem but I don't quite understand the solution you suggest.

Mr. **Rhett**. I think the solution might be a more temperate one in that the definition of the nonprofit institution could be phrased so as to recognize existing State supreme court or State constitutional prohibitions. The issue is well joined when, as Mr. Cook pointed out, the Constitution assigns responsibility for education to the States, which then have made many rulings at their highest level, beyond appeal, that exclude certain kinds of institutions.

I think existing rules ought to be recognized that do not leave to the State or to the State agency any further latitude in selecting eligible institutions. It should be recognized what the highest, if you will, unappealable level of decision is that that now exists in some States.

Mr. **Millard**. It could be written in such a way that it would apply to all nonprofit institutions in accordance with State constitutional provisions. The problem of changing constitutions within States is almost as serious a problem as changing the Federal Constitution. A number of States do have nonreligious support clauses that are stronger than the Federal Constitution.

Mr. **Ford**. A great number of States did not let black people vote a few years ago but we did not sit back and let that happen.

Mr. **Millard**. This is the religious support issue as it relates to the use of State funds.

Mr. **Ford** I understand that part of the problem. I also understand why the problem was created in that the States were not doing anything to support programs in private institutions and the Congress has indicated they find that kind of lack of attention at the State level unacceptable.

I don't agree with you that the constitution assigns to the States any responsibility with regard to higher education.

I don't know of any governmental conception of the State being involved in higher education. That is something that happened by statute, the Morrill Act and other things that got States into the business, but there is neither a tradition nor a legal basis for making the assumption that a State as a government has any particular role in higher education.

Mr. **Millard**. I believe you will find it goes back at least to the Northwest Ordinance of 1798, something like that, in which the States were enjoined by the Northwest Ordinance to support and continue education for the welfare of their citizens and the good of their country.

Mr. **Ford**. That has never been construed to include anything beyond the normal public school experience, elementary and secondary, has it?

Mr. **Millard**. I think you will find it is reflected in a number of States' constitutions involving the full range of education.

Mr. **Rhett**. In my State there is not only tradition but a series of State statutes that assign the State a major role in postsecondary education. I think it is an interesting issue. I also would take issue on the allegation that the States do not aid independent institutions. Many of them do. Our concern here is with a subset within the independent institutions. Usually it is on church-state court rulings that we are specifically finding a problem, not the aiding of independent, nonprofit institutions in general.

Mr. **Ford**. The viability of these programs depends on them being as neutral as possible, and it has been demonstrated as a matter of fact that within the States there is not neutrality with respect to the treatment of nonpublic institutions of higher education. You just are not going to have Federal assistance programs if you permit that sort of thing to go on. It will shoot down the programs in effect.

Mr. **Millard**. If I remember correctly there are not more than 4 or 5 States in which State funds go only to public institutions. In a good many States it is exactly the opposite. There are a series of States in which it goes only to the private institutions. The question is not a question of profit, nonprofit, or of public-private. The question as it relates to the constitutional issue in the States is as to support of religious institutions, instruction that is essentially religious. It is a church-state issue. Colorado is one of the States where funds only go to public institutions.

They are in the process of changing that law. I think you will find in a relatively short time there will be no States in which only public institutions are eligible. The question is not in relation to private institutions. It is in relation to one category within the private sector which has also been a Federal problem.

The Maryland case has helped tremendously in that direction as far as Federal funds are concerned but I think there will be others. The question is still under litigation in courts in some of the States, primarily in relation to religiously oriented institutions. Otherwise it is not a problem. We would agree with you that both public and independent institutions should be eligible under any circumstances.

It might even help if the language were changed to "independent" and it was recognized within the independent—there is a sector which includes strictly religious types of schools which most State constitutions cannot accommodate.

Mr. **Cook.** It would be to Federal and State interest if we had legislation that would hold up in the courts. If it does not—there is no program in Arkansas. In Arkansas, we have a State scholarship program through SSIG since 1975. We had a Federal district court to rule last week we are OK. We are in, but had the court gone in the other direction, there would have been a problem, not only for the State of Arkansas, but it would have been a Federal problem if we had a number of States going in that direction. It is a partnership thing as I see it.

Mr. **Ford.** The Federal problem, from our point of view, is much simpler. If you have a piece of legislation that is perceived by a substantial number of people as discriminatory against nonpublic institutions, it is not going to pass. It is not going to be funded.

Mr. **Millard.** We agree. I think, again in terms of the history of the students' incentive grants program, with a few exceptions, the States have tended to lean more in the direction of support for the private institutions than to the public under the State programs.

For example, in Massachusetts where I one time was—the State's scholarship program there provides, in the law, that 75 percent of the funds must go to students in independent institutions. This is usually modified in the Appropriations Act to say at least 50 but it must be 50 to 75 percent. There are a number of States in which this is the case.

I don't think, in any case, it is a question—with the exception of two or three States, all of which I think at the present time have legislation under consideration—it is not a question of exclusion of the independent institutions. It is rather a question that relates only to a small segment of those, the theological schools and direct religious schools.

Mr. **Ford.** That is where the problem exists with the language of the act now. The problem that led to that language being in the act
of negative legislation against students who were not attending pub-
gress to put that language in to try to say as emphatically as possible
is much broader than that. It was a consistent and persistent pattern
religious institution. Had there been, we probably could have cleared
to the States: "If you want to play in our ballgame with Federal tax
dollars you have to cut this out."
lic institutions in many States which brought the pressure on the Con-
the particular category within the private school community of the
Now, in the process, there was no discussion about this problem of

the problem up with a simple discussion on the floor, but no one perceived it as a problem at the time we were discussing this because the overriding problem that was being addressed was the deliberate pattern of negative legislation, or simply ignoring the student in the nonpublic institution. That is not to say that it was a universally found attitude but a widespread attitude in developing State programs.

Mr. Rhett. If I may add one other element, this conflict becomes more harsh in an incentive program when the stated purpose of the law, and of the way the program is operated, is to increase the amount of money that States give to students. Currently, by our latest judgment, there would be about 18 States that might have to drop from the program if eventually the strictest definition were to be applied to them.

You should look at that loss in conjunction with the latest figures I have gotten from the SSIG Program Office, which show that those States now participating are putting in $300 million above the matching level. Thus, we have a great elasticity of State matching power that still could be pulled in and if those 18 States drop, the incentive intent of the act is seriously hindered.

I am not saying that should be the overriding consideration but it is always on my mind in this program. One thing the Federal sector is trying to do is to stimulate, if you will, those of us in State agencies to allocate more resources for student aid. This would be directly contrary in its effect.

Mr. Ford. Maybe you can suggest the statutory language that will take us off the horns of the dilemma.

Mr. Millard. We would be more than glad to try.

Mr. Rhett. We will forward you some suggestions.

Mr. Ford. Mr. Cook?

Mr. Cook. Mr. Chairman, members of the committee, it is a pleasure to have the opportunity this morning to appear before the subcommittee. I am sure all members of the State Higher Education Executive Officers Association would want me to say a special word of thanks for this opportunity.

The State Higher Education Executive Officers Association—SHEEO—includes the chancellors, directors, and commissioners of statewide postsecondary and higher education commissions, boards, and coordinating agencies across the Nation charged with statewide planning, coordination, and/or governance of all or of major segments of postsecondary education in virtually all the States.

Mr. Ford. In almost all the States. I am not familiar with the kinds of structure you are talking about because my State is one that does not have such a statewide commission. I was in the constitutional convention when we deliberately considered the structure in other States and decided we did not want to have one.

How many States, in fact, do have a statewide governance of higher education?

Mr. Cook. Forty-seven now.

Mr. Millard. I think we have to distinguish between coordinating and governing boards. There are currently about 19 States with consolidated governing boards. Technically, all of the other States have coordinating agencies of some sort. Michigan is an exception in an interesting way. Technically, the board of education is the coordinating board for the State of Michigan. The situation is somewhat unique. Dr. Huxol is in the Office of Higher Education in the Department of Education. He is charged with this responsibility to a large extent. What makes Michigan unique is the autonomous status of the three major institutions which was extended then—

Mr. FORD. To all the institutions.

Mr. MILLARD. The extent of coordination in Michigan is considerably less than in a good many other States. If I remember correctly, the institutions do report programs to the State Board of Education, which can also comment on budget messages that are forwarded to the Governor and to the legislature.

Mr. FORD. How many of the State agencies that you are describing here actually have decisionmaking power? A problem I think is created by leaving the impression here in Washington that there is a State agency that can say yes or no on higher education policy for a State. If we tend to believe that here, we may be talking to a vacuum out there.

In my State, to say the State has a position in higher education just does not make any sense at all because the board at Michigan State, and Wayne, and each of the other State institutions might have very different ideas about how to deal with any one of these things. While it is true you can call the State capital and talk to someone who will tell you what is going on in all of them, you cannot call the State capital and get anyone who has the power to make yes-and-no kinds of decisions.

I would not like to lead Members of Congress to believe that we can structure programs to deal with the State, rather than with higher education institutions. I can understand the reasons why everybody at that table would like to talk in these terms, but I think we are talking about something that does not, in fact, exist.

Mr. COOK. I think the answer to that question will be different for each State. The governing boards, that Mr. Millard talked about in general, can say yes or no if it is a statewide governing board. If it is a coordinating board, probably only in certain cases could say yes or no.

For example, in Arkansas there are certain things that I have the authority to say yes and no, or the State board has the authority to say yes and no on; but the answer to your question, in general, I can't say it would be yes.

Mr. MILLARD. Mr. Chairman, there are at least three or four levels, or types, of coordination, or governance. At the one end are States in which there is a consolidated governing board, as in the State of Georgia, Wisconsin, North Carolina, and so on. Then among coordinating agencies there are those with what might be described as regulatory powers. This usually involves the ability to develop consolidated budgets, make direct recommendations on budgets to the legislature and so on, and program approval.

Then, in addition, there are some boards that would have to be described as advisory only; but in all cases at least the board does have responsibility for planning and responsibility, to some extent, for program review and coordination. That review in some cases, in the case of what might be called advisory boards, is advisory only. In other cases it goes considerably further than this and the board will have the authority to approve or disapprove new programs and to review existing programs.

Then, in addition to this, most of the boards do have—a number of them do have additional authority, authority in some cases even as it relates to Federal legislation under title—some of them—title I agencies; some of them are also 1,202 commissions. Some of them have the higher education facilities functions and so on. It is true, it is a different cluster in each State. At the same time, it is also true there is no State at the present time that does not at least have some agency which has some responsibility in relation to overview and planning.

There is a real difference. You are right, sir, there is a real difference in this respect. To a large extent, the departments of education have control of education within the State on the elementary/secondary levels to a much greater degree than is the case in higher education. At the same time, on the higher education level, the first board goes back to 1787, the New York Board of Regents. Most of the coordinating agencies were established during the fifties and the sixties, during the periods of growth.

To a large extent, they were charged with the responsibility for overseeing orderly growth of public higher education. Then, in addition, at the present time in a great many of the States—not all of them yet—but in a great many of the States, the State higher education agency also has some responsibilities in relation to including within the planning structure the private as well as public institutions. This does not mean they have a yes-or-no authority in relation to what the private institutions can do. It does mean that the private institutions must be taken into account in planning for and developing the objectives of higher education in the State.

Does that help answer the question?

Mr. Ford. When you talk about this coordinating function, you talk about coordinating separate boards of a number of institutions?

Mr. Millard. The pattern varies. There are three, or four, or five types of patterns. In some States, each of the institutions has its own board of trustees and the function of the coordinating agency is to coordinate the overall operation of the institutions to help determine role and scope, to help determine allocation of resources, and that sort of thing.

The second pattern, intermediate pattern, is one in which there are segmental governing boards. California comes to mind. The University of California board, the State colleges and universities board, and the community colleges board which stands in a somewhat different relation to its institutions than the other two.

The California Postsecondary Commission is charged with responsibility of coordinating the work of those, plus carrying out other kinds of operations which are relevant to and reinforce the State higher and postsecondary education structure including, in the case of California, developing the statewide plan that includes the private as well as public institutions.

In the third type of structure which, again, Wisconsin would be a case in point, there is a single governing board for the entire State public higher education system, with the exception of certain vocational institutions, three of which I believe are called community colleges, but the major 2-year institutions in Wisconsin are under the board of regents of the university, so you do have a variety of patterns.

The thing that I think that most of the States at this point do have in common, including in this respect—Michigan is at least a board that has some responsibilities in relation to overall planning. From that you can go all the way to the board which is wholly responsible in a governing structure.

This is part of the variety and I think the diversity in the States in relation to postsecondary and higher education that makes it important from the standpoint of legislation to take into account these differences and to utilize them rather than to assume that the States are exactly like.

Mr. Cook. I might add one other thing before I continue; that is, that generally speaking I think where you have the statewide board in the State that has the yes or no, the governing board generally there has less relationship formally with the private sector than in the States where there is a coordinating board which relates to the first point you brought up.

During the past year SHEEO has worked hard in trying to come up with a position on Federal relations. I have given to each member of the committee a booklet. This particular booklet is a policy paper adopted by SHEEO in April here in a meeting in Washington.

I might take a minute to outline four goals on the national postsecondary education that SHEEO feels underlies all its policy.

The first one is to achieve a quality of educational opportunity for all persons without regard to race, sex, age, national origin, ethnic or cultural heritage, handicapping conditions, economic status, or geographic location.

Two, to achieve access for all persons capable of and interested in postsecondary education, and reasonable choice among postsecondary education institutions and programs appropriate to each person's educational needs, capabilities, and interests;

Three, to support excellence in instruction, research, and service to institutions of postsecondary education in order to insure the health, welfare, and security of the Nation; and

Four, to develop an informed and educated citizenry.

Certain principles should be kept in mind in order that the proper State/Federal relationship is established through the accomplishment of these national goals.

The Constitution of the United States makes it implicit that education is a primary responsibility of the State. Since this primary role is granted to the State, then it becomes the Federal role to see that national goals, objectives, and priorities are fulfilled through Federal policies which supplement and complement State efforts to meet the same needs.

Also, the Federal Government should give States assistance and incentives to meeting national goals. Federal policy should be established with the recognition that the Federal Government, the States, the institutions, and the private sector all have responsibilities in fulfilling the educational needs of the Nation.

The effective State/Federal partnership in postsecondary education will be accomplished only if the Federal Government recognizes the differences among the States.

I am going to skip at this point, because I just talked about that.

Federal laws should set forth national objectives to be achieved by

Federal programs, but the structure and procedures for carrying out these programs should be for the States to determine. The Federal Government should also have an interest in coordination of the separate Federal programs.

Today we are talking about student financial assistance and certainly this is an area where more coordination is needed in each of the States and at the national level.

The last principle, I think, that we should remember today is that when Federal programs are enacted, there should be reasonable assurance that there will be sufficient funding and continuity of funding throughout the life of the program if it is to have its maximum impact.

SHEEO has expressed three priority concerns which we hope will be considered by the 95th Congress. Even though the first two do not directly relate to student financial aid, I think it will be worthwhile to consider these three concerns now:

One: The need for increased attention by Congress and the administrations of the concept of a Federal/State/institutional partnership in postsecondary education:

Two: The need for effective implementation and coordination of the educational commitments of 1976, with particular emphasis on the interrelationships among separately authorized State-related programs; and

Three: The need for appropriations to meet the increasing demands for student assistance from low- and middle-income students.

There are two programs which are very important at the State level. The first of these is the State student incentive grant program, SSIG. This program has made tremendous impact throughout this country, especially in States where a State scholarship program did not exist.

In Arkansas, because of the State student incentive grant program the Arkansas General Assembly established the State scholarship program in 1975. This program has been tested in the courts and recently a Federal court ruled that this was a constitutionally sound program and is being administered with proper procedures.

Funds through the State student incentive grant program are matched by the State scholarship funds and for the student program is operated as one program. Through this Federal and State partnership, needy students in Arkansas have received thousands of dollars that would not have been made available. Because the 1202 commission in Arkansas is also lodged in the department of higher education, this kind of coordination has been made possible. If the 1202 commission had been a separate commission, then there possibly could have been problems with the coordination of this program.

Recently you have taken action to make changes and I am going to skip that.

A major emphasis for improving coordination in the delivery of student assistance was given by the national task force on student aid problems, chaired by Francis Keppel, and the followup group, the national coalition for the coordination of student financial aid. SHEEO strongly endorses efforts to achieve in 1977/1978 the coordination among Federal, State, and institutional student assistance programs and in particular the development and implementation of a common calendar for management of Federal and State student aid programs

And I might say we are very pleased with the recent announcement of the common needs analysis that will go into effect. This is a step in the right direction as far as we are concerned.

The development of procedures that will allow State processing of BEOG applications provides an opportunity for a demonstration of the feasibility and benefits of this kind of Federal/State coordination. SHEEO urges the U.S. Office of Education to proceed expeditiously to develop the guidelines and criteria to implement this provision in a manner that permits a pilot testing process to begin for the 1978/1979 year. Two or three years will be necessary to demonstrate the benefits of this effort and to justify the added cost that will be involved and a high priority should be assigned to the evaluation plan to assess costs and benefits as the development of this process continues.

I might summarize, anything that we see happening right now at the Federal level in terms of needs analysis, common form and other things related to this program is a direction that we highly endorse.

SHEEO urges the Federal Government to reinforce and utilize more effectively the State Postsecondary Education Commission—1202—authorized in the education amendments of 1972 and its expanded functions in the education amendments of 1976. State planning for community service, continuing education, planning and development of education information centers, planning for community colleges and graduate education and the many facets of student aid should be an integral part of the general planning of these 1202 commissions.

Attached to my remarks today you will find a table entitled "Recommendations for Appropriations for Selected Federal Programs of Fiscal Year 1978." SHEEO has spent some time in looking at what programs should receive emphasis in the postsecondary education community. The last column of this table reflects recommended appropriations for fiscal year 1978 for various programs. Today, since we are only dealing with student assistance, I will speak only briefly to the level for student aid and related programs.

You will notice that the basic educational opportunity program is recommended at $2.316 million, the same that is recommended in the Carter budget. The reason for this recommendation is that the States see the BEOG program as being necessary to take care of the many students who have basic financial needs within our States.

Mr. FORD. Now you took care of that, what should be the amount of a grant?

Mr. COOK. The appropriation?

Mr. FORD. The grant.

Mr. RHETT. Do you want my suggestion?

Mr. COOK. He is probably better qualified.

Mr. FORD. You have $2 billion to $3 billion out without blinking an eye. That is nowhere at all. The problem is here in town with Mr. Carter and others. What would the amount of the grant be?

Mr. COOK. Part of the problem in the overall money is that once a program like this is underway that certainly to cut back—you see what this does to existing needs of individual students; so if we are going to increase the number of students——

Mr. FORD. I am talking about the grant level per student.

Mr. RHETT. It is $1,400 now, maximum.

Mr. COOK. What is your recommendation here?

Mr. RHETT. I think that a badly needed adjustment upward to $1,600 is almost necessary to try to meet some of the costs we are discussing. I think you have to look seriously not only at the amount but also at who is eligible for what amount under the contribution or award schedules. I would hope that the conference committee could—instead of coming out with something like "Well, we say $1,800 and you say $1,600, so let's split it,"—look instead at where the adjustments can be made in extending eligibility to middle income families at the $1,600 maximum level. I believe, although I have not done the technical work on this myself, that some of the recommended appropriations levels can support that, but what I am trying to do is to introduce into your question the fact that you can't consider the maximum grant amount without also considering to whom will these grants go and in what diminished scale.

In our State programs, for instance, we depend on basic grants for ongoing support. Perhaps that is a dependency that is premature. For instance, to get technical, some of the policies we are putting into play for 1978–79 would build in a State role and a Federal role by saying that no student in the State would have a combination of family contribution, basic grant and State grant that would be less than 50 percent of the college budget—we call that a "floor rule." Therefore it becomes a question to us of not only how much the student gets from the basic grant but what students get it.

We find a radical dropoff in basic grant recipients at about the $12,000 gross income level. That means many of our State dollars that might otherwise be distributed to lower income families now have to be agonizingly pulled around to some of the middle income needs.

I am from a State that is skewed on any national basis toward high income and high living expenses; so for us, a family with $15,000, in New Jersey—depending on the number of children and the kind of college the children are attending—under the BEOG program, we don't feel its present eligibility index of $12,000 or below recognizes that family's needs, so what we are trying to do is get away from a unitary answer to that question to at least make it a duality—of eligibility and maximum grants—that would be considered in the conference committee.

Mr. FORD. We recently discovered there is an administration policy at the $1,600 level. We have not been able to figure out where it came from, whether that was somebody's compromise between $1,700 and $1,500 or whether there was, in fact, some policy determination, because when you start talking about adjusting that, you stir the natives all across the country.

It is clear from the discussion we are having of the public and the nonpublic institutions, as you refer to them, it is going to be a fight, I take it, on the appropriations bill very shortly. There does not seem to be a great deal of unanimity among spokesmen for higher education in presenting us with a magic answer of where it ought to be. It dominates the discussion of BEOGs of what the level would be all the time.

I really think we should be dealing with what you are talking about in terms of more realistic qualification for the program.

Mr. RHETT. Let's say, that one takes an optimistic view of fiscal life in the remainder of this century in this country—I am much concerned we get the base of eligibility right even as we worry about eventually reaching a maximum grant of $1,800 for funding. The distribution of aid, to me, is just as critical as the gross amount that goes to a student. I know it is easier to talk about one student and how the individual package is put together, and it is usually more complicated to talk about the distribution among the income classes attending different sectors of postsecondary education.

I am worried now in my State about the distribution first.

In starting a new program, I would try to get that distribution right, even if the amounts might not be at the maximum that statutes would allow, and I would try to work progressively to show the unmet needs within that distribution year by year; so that happens to be on my mind now.

Mr. Ford. You have a prepared statement, Dr. Rhett, which has been put in the record already. Would you like to comment further on your statement?

Mr. Rhett. With your permission, sir, I will summarize a couple of the points and add a few other comments rather than read the statement. I do want to say I am not only speaking on behalf of my own State department, but I am speaking as well for the National Association of State Scholarship and Grant Programs, comprising 53 States and territories that now aid over 1 million students with State funding at about the $650 million level.

I am most concerned with presenting you with some ideas about the role of the States. It surprises me, as I say in my testimony, that we have all suffered under a lot of rhetoric about the philosophy of this role. On the other hand, we have all gotten our hands dirty tinkering with the mechanics of how things are distributed. I don't think anyone has taken an accurate inventory of who does what best.

I suggest in my testimony that there are certain things the States now do well that are not being contributed, if you will, to any kind of partnership operation between the Federal, State, and institutional sectors.

One of these is the allocation process. As an example, in my State, our State agency allocates about $450 million to postsecondary education of which student aid is only about 10 percent, so the question is a broader one for us of allocating the dollars—student aid is relatively small. So we have built up certain skills, techniques, staff, expertise if you will, that we don't feel is being used in allocation of some Federal funds.

I have spoken before to other groups about what I feel the evils of the present allocation system for campus-based funds are. I was thinking the other day that it is like sending an IRS form to a taxpayer with no rules and asking him how much tax he would like to pay this year. You virtually have that same looseness in how the institutions present their requests for funding. The nature of the distribution of those funds that goes through that process does not bear any systematic relationship to the need of the students, whether you look at that data by institution or by State.

That State role I would suggest is one that ought to be explored. We also have a role in auditing and verification of information. In our State our objective is to verify every student's income who receives State grants. I suggest that is not now being done in Federal programs and that if, through some creative contracting, we were asked to do that through some of the new multiple processing avenues that are now becoming open, that we could save the Federal Government some massive central staffing and dollar expenditures for inspection and auditing to attack the problem of fraud and abuse. We are already attacking that problem. Our auditors, just as the HEW auditors, are out in the colleges.

I point out in the testimony that some States—Pennsylvania is one that came to mind—already contract auditing activities to HEW so the results of their audits can be shared and thus save the taxpayer paying for two audits on the same institution where one would do.

Again, regarding the role of the State—if you go beyond some of the student aid areas—in my State I am the official who signs off for the State approving agency for the Veterans' Administration, and we are virtually ignored in the operations of that administration.

Mr. FORD. You should not feel bad. Everyone else in education is.

Mr. RHETT. I have colleagues that join me in that statement. For instance, if they send an audit team or program visitation person into one of our institutions in the State we don't even know it until the institution tells us. Even though we are the State approving agency and are reimbursed for some of our activities by the VA, the VA does not advise us. It is an arrangement that necessarily throws us into league with the institutions in an adversary relationship against the VA, yet they are funding us to be their approval arm in the State. The emergence of that adversary relationship does not bear close scrutiny, I would suggest.

To give you another instance of how States can deliver services that I am afraid will not be called upon—the health professions loan program was supposed to be started up quickly by the 1976 amendments. It has not yet been started up. It could be started using the delivery system of guaranteed student loans through State agencies. I fear it will not use that existing capability of the States, but a new program structure might be ordained for that program and it might not be implemented this fall. We have a significant number of medical-dental and allied health students who need those higher loan limits. We are scared they will not get them, with just cause I think. The program could have been in the field this fall using an established delivery system that the States have developed at some expense of their own.

I think you get the idea. States have certain strengths shown through any operational definition—anybody who looked at who can do what to whom would find that the States are plugging away out there, sometimes marching to a different tune than the Federal sector, and that need not be so. The strengths of some of the States should be used in the Federal programs.

I also touch briefly in my statement on what I consider our role to be in funding, one that is related to tuition assistance. In our State the tuition for the public institutions is a result of the State fiscal subsidy decisions that are made by the State government. Therefore, we feel direct responsibility to aid the students who are faced with those tuition levels. I would suggest that other States might examine their role to see if they are doing this, and that the Federal Government has a responsibility to adjust its funding for students, that philosophy having been determined, to reflect some of the larger economic forces that bear upon education costs including what are called the maintenance costs of a student going to college.

I close the statement with a few gratuitous remarks about Federal restrictions placed on States, some of which have already been brought up here, such as the nonprofit question, some of the administrative allocations for initial and renewal grants, and caps on initial grants that make programs difficult to administer at the State level.

In summing up I think there ought to be some awareness of some existing State restrictions that are constitutional, that do now exist as some of these rather administrative Federal regulations are laid down. I anticipate the question the Congressman might ask, "Why are you talking to me about administrative matters," and I would remind this subcommittee that were it not for its own Thompson-Eshleman amendment that gave the States rights to basic grant processing we never would have seen the evolution of multiple data processing and the common form from the U.S. Office of Education. It was not until that became part of the 1976 amendment—an essential administrative piece of legislation that was already inherent in the 1972 amendments but never stated succinctly—it was not until that legislation was given to direct the bureaucracy what to do that the animal turned its head. That is why I dwell on some administrative matters today.

Mr. **Ford.** You mentioned again the private school problem. I think it is time we get it on the record that, while it is a problem we all have now, it was not created on this side of the Capitol.

Mr. **Rhett.** I recall distinctly where it was created.

Mr. **Ford.** The Senate bill brought that into conference, and the compromise that was made was to put a time delay on its implementation. That was a compromise set by the House in an attempt to get time to see what would happen. We have now extended the delay. You might want to do some shopping on the other side of the Capitol to see if you can convince them to use the delay we are giving them to reconsider the source of that very strong language and come up with some sort of compromise, because we will be back at this time next year trying to delay it for another year if we don't come up with a suitable kind of statutory definition that can pass and keep from starting a religious war.

Mr. **Rhett.** I can't resist saying that on a day a few months ago when we spoke briefly to you it was to ask that hearings be held after the series of technical amendments had been passed, so that those hearings would enable us to bring up this issue. We then went over to the other side of the Hill and made that same suggestion to the staff who have that jurisdiction. I am gratified to be sitting here today and talking about the topic. I hope we have a similar opportunity as the year goes on, on the other side of the Hill. We will make that suggestion to them again.

Mr. **Ford.** It is not likely to be the kind of burning issue that would generate a bill from the Senate side, but maybe we will find something else they are interested in and we can attach it to it.

Mr. Mirandon.

Mr. **Mirandon.** Mr. Chairman and members of the committee, I would like to highlight my written testimony which is directed to guaranteed student loans. Student loans should be used as a last resort mechanism in supplementing grant aid so I think it is appropriate that I speak last.

The organization that I represent is the national organization of State and private, not-for-profit, agencies which administer the guaranteed student aid program locally. This is the National Council of Higher Education Loan Programs. My regular job is with a private, not-for-profit organization known as United States Student Aid Funds.

The education amendments of 1976 are already proving to be effective. The expansion of the $15,000 adjusted gross income provision to the middle income level of $25,000 gives more student borrowers the privilege of subsidized interest payments during the in-school period. Banks have been reluctant to handle nonsubsidized interest loans that require the monthly or quarterly billing of students while they are in school. So this amendment has also relieved lenders of expensive, extra paperwork.

The new equality between the guaranteed agency program and the FISL program, now found in the revised reinsurance and collection provisions, is already stimulating increased activity and recoveries from delinquent students.

Several former FISL States that lacked agencies are being encouraged to establish more effective delivery systems on a local and more personal basis by the significant allowances, administrative fees and other financial incentives that you have provided. However, some have expressed concern about the receipt of these allowances in time to convince their State legislatures of the need to move ahead quickly.

A dominating problem facing student lenders is the enormous amount of paperwork and recordkeeping required. The Federal law and regulations issued by the Office of Education prescribe in minute detail the terms and conditions under which student loans may be made. Interest provisions, maximum loan amount and period of repayment, fees and restrictions concerning student loans are already tightly in place. It seems illogical to require redundant paperwork of private lenders who have supported the program so superbly and almost solely on a pro bono publico basis. We recommend that an analysis of unnecessary student loan paperwork be made and that amendments be introduced to encourage lenders by eliminating such redundancies. The loan disclosure statement required by regulation Z should be a prime target of such analysis.

Another vital improvement pertains to the bankruptcy moratorium which we understand is expected to be eliminated by H.R. 6, currently under enactment. It should be emphasized that the Council does favor the ability of student borrowers to be adjudged bankrupt without delay in cases of severe hardship. However, bankers, judges, businessmen, educators, and other good citizens across the Nation with whom we deal abhor the unscrupulous use of bankruptcy by students who wipe out their obligations immediately upon graduation or withdrawal from school and deny these funds to other students. We believe that a student loan is an education in itself and that an inexperienced student, borrowing for the first time, should not be led to believe that it is a means of circumventing the traditional American system of credit. A not yet credit worthy student obtains a loan purely because it is guaranteed. The loan serves as a "new lease on life" for the student. Therefore, the circumstances are virtually identical with bankruptcy at the time the loan is obtained. Since a person who has been adjudged bankrupt may not file again until 6 years expire, we believe students should be caused to carry their obligation for a 5-year period (following the 1-year grace provision) unless confronted by severe hardship. Student bankruptcy is a matter of moral principle and is not related to how many students abuse this means of relief.

An improvement that is imperative for the success of the program concerns the basic value of the special interest allowance provided for private lenders. Banks across the country have placed almost $10 billion of private capital into students loans at an immense savings to the taxpayer. Approximately $4 billion are outstanding at the current moment. Probably half of the interest income derived by banks from these student loans, which is marginal at best, is nevertheless returned to the Federal Treasury as tax revenue. Improvement of the zero to 5 percent special allowance provision by setting a floor of at least 1½ percent, thus assuring a minimum 8½ percent overall yield, is essential in order to make the program a "bankers program," as it was originally conceived. This is particularly needed by banks that were locked into the FISL program and caused to be highly critical of the Federal processing delays and unanswered inquiries. Probably the most important aspect of the guaranteed student loan program, as practiced successfully in States that have had agencies for almost two decades, is the importance of maintaining a clear understanding of the credit obligation involved. This is best derived from a pluralistic system in which experienced bankers, rather than schools or government make loans to individuals. To corrupt a good system with impersonal, long-distance, inexperienced lending could eventually cause the new program to revert to the same excessive defaults as found in the FISL program. Consequently, the Council favors the precepts upon which the program was originally based, with banks lending, schools teaching, and Government governing. We ask Congress to do its best to induce conventional lenders not to abdicate their role in this effort.

The cost of medical education has ballooned in recent years and Congress has attempted to alleviate this pressure with the Health Professions Educational Assistance Act of 1976. However, many operational requirements of this act necessitate time-consuming refinements in order that practical application can take place. We strongly recommend that the valuable contributions of this act be appropriately modified and incorporated into one program, the guaranteed student loan program, so that students, schools, lenders, and State agencies, already in place and accustomed to a single program, are not confused by multiple rules and new regulations that come from unnecessary duplication. We in the State and private agencies have the lenders, know-how and desire to move these health services loans into the hands of students immediately, if duplicate programs—even within the Office of Education—can be avoided.

The Office of Education apparently has interpreted your mandate to encourage nonagency States in establishing local programs and to report back to Congress by June 30, 1977, with any additional legislation required to induce this transition, as requiring a prolonged study by outside consultants. This seems unnecessary. Sufficient data exist to convince any prudent governor of the alternatives and benefits open to his State. For example, (1) The National Council has prepared an analytical report on the methods, pitfalls and options available in creating a State operation; (2) A regional office of the Office of Education, in cooperation with our Massachusetts member, has outlined the responsibilities expected from the various participants; (3) Material recently acquired by the State of California from our States that now have agencies provides sufficient cost and procedural data to move forward without delay. Failing to encourage new States to act as quickly as reasonable causes misconceptions and doubt on the part of the lenders, schools, and students as to whether program improvements will in fact be made. This again tends to drive banks and other private lenders out of the program at the very time they are most needed. The National Council, at its own expense, is continuing to offer assistance to these new States and it is more than happy to help the Office of Education finish the job as quickly as possible. This ties into a serious concern of the new States as to whether adequate seed money advances and administrative fee allowances will flow through the Office of Education soon enough to pay for startup expenses. These States truly see the benefits to be derived from localizing their programs and gaining more personal relationships among students, schools, bank, and servicing agencies. However, they must assure their legislative bodies that funds will be available as promised.

It is heartening to appear before you and to witness the thoughtful consideration you are giving to a truly worthwhile program.

Thank you very much.

Mr. FORD. Can you give us some specifics about the bankruptcy phenomenon?

Mr. MIRANDON. I did not come prepared to give you precise figures but I think it generally runs about 5 percent of all defaults which in a program of national size is probably somewhere in the area of $50 million.

Mr. FORD. Why is it shocking or surprising that college graduates as distinguished from some other classes of society might be considering a bankruptcy within 5 years after they finish college?

Mr. MIRANDON. Five years—I think even 1 year or 2—a period of allowing the student to adjust to a career, to get going——

Mr. FORD. What if he started while he was in school working his way through school in business and then, bam, it blows up in his face about the time he finishes school and he is $25,000 in debt?

Mr. MIRANDON. I think I would treat that as significant hardship, such as hospitalization or physical disability.

Mr. ERLENBORN. As the author of that provision, which was delayed in its application until this fall, I remind the Chairman there is a provision in that bill that allows the bankruptcy to go ahead if there is real hardship, significant hardship, so it was not the purpose of the amendment nor will it be its effect to deny bankruptcies to those who have real need of bankruptcy. I think the witness has made the valid point that students get loans only because of the Federal guarantee. They were not credit-worthy at the time they received the loan. This is in contrast to the ordinary bankrupt. The ordinary bankrupt is credit worthy, has assets which he pledges at the time he gets the loan. Some change in circumstances has brought about the bankruptcy. In the student's case there is no change in circumstance ordinarily. If there is and it is a hardship he can use the bankruptcy route but it is almost as though the loan was taken out in anticipation of never paying the loan back. That is what people don't like and I think properly so.

Mr. FORD. Has anyone in your organization made an analysis to determine how many of these bankruptcies constituted a situation where the principal debt being discharged as measured against all other indebtedness was the student loan? The impression was given very strongly here on the Hill in 1975 and 1976 when we were considering this legislation that the kids had figured a new way to rip things off and they were automatically going out and jumping into bankruptcy. But nobody ever had any figures for us and up to the late evening we argued this out in the committee. We were all flying by the seat of our pants and nobody could answer the question, how many of the bankruptcies constituted in fact an attempt to discharge the student loan as the principal debt.

Mr. MIRANDON. It is my impression these statistics are being put together here in Washington and we will be happy to offer them to you. Also it is my recollection that the majority of student borrowers in fact are primarily indicating this loan as their major cause of bankruptcy.

Mr. FORD. Perhaps you could tell us something about the trends in guaranteed student loans. Is there a trend toward or away from guaranteed student loans?

Mr. MIRANDON. There was a study made by the Sloan Consortium in 1974 that indicated that possibly loans were not the finest means of subsidizing students, inasmuch as grants certainly should come first. But if there was a growth business in student financing, student loans probably had to be relied upon as that growth business.

I think the figures will support this by the end of the year. The State agencies have done an astonishing amount of increased business in this past 12 months. I think it is going to grow, but I don't think it is going to grow beyond reasonable proportions. I hope not for I don't think that is the purpose of the student loan program.

Mr. FORD. Somebody managed to convince two succeeding Administrations including the present one that it was growing so fast we did not need National Direct Student loans any further. The student lobby has told us that it is growing so fast that Bert Lance's bank gave 11 or 12 loans which they track to employees of the bank. Do you think that it is growing so rapidly that we can safely consider scrapping——

Mr. MIRANDON. My own personal view and that of the council is that NDSL certainly has its place. I think it might best be coordinated better with the guaranteed student loan program but it does have its place.

On the other hand I can argue vehemently for the fact that where State agencies have been in operation for almost 2 decades, they do have great lender support; where they are doing things operationally for the lenders which the lenders should expect of this program. Not so much yield alone. I don't think it is the bottom line they are interested in as much as solving the problem of "why do I have to go through this paperwork?" "Why do I have to deal with these endless regulations?"

Mr. FORD. Because they have no risk.

Mr. Mirandon. To some extent, but I think it is also a fact there are redundancies here, too, that cause unnecessary work.

Mr. Erlenbrn. On the National Direct Student Loan question, you say there is a role to be played by the NDSL. What role is to be played by NDSL? What needs does this fulfill that cannot be fulfilled by the guaranteed student loan program other than lower interest?

Mr. Mirandon. Mr. Erlenborn, I think it may be psychological, the fact that campus-based programs handled by the schools themselves are certainly favored by the school administration. To take NDSL away from them where they are, in fact, doling out loans to students who might not be able to get them in a new State program, would be quite inequitable. I think, for the time being, and however many years it might take to replace NDSL, a dual program is the best approach to follow.

Mr. Erlenborn. I thought you made a valid point in your prepared testimony about keeping loans on a business basis. Now you seem to be arguing that there are some loans that ought to be used as recruiting tools by the institution, rather than really being a business transaction where the student realizes that a loan is being made that there is an obligation and takes it seriously.

I fear if we have too many educational institutions becoming lenders under the GSL and if we continue to maintain the NDSL or expand it, we are going to have more and more nonbusiness-type loans and less sense of responsibility.

Mr. Mirandon. I am ambivalent about this, I am afraid, but I do agree that lenders should lend and I think it should be a business-like program, used as a last resort: not necessarily crowding a young, inexperienced student from a low-income level to take loans and not truly understand the obligation.

Mr. Ford. We have asked the Education Commission of the States to cooperate with us in trying to learn something more than we now know about the demography of the respective populations of these programs. On superficial examination, we discover within a State there is a great deal of difference between the student population use of one program and another at State institutions just 30 miles apart. When we were considering this in 1975 and 1976, everybody had an idea but nobody could tell us very much about what was going on.

So lacking very much information, we decided we better hang on to every program we had and wait for something to happen, I guess, in the future. We are now trying to learn more than we knew when we reenacted these programs about who uses the programs and where they are. But you can see what the problem is. This panel comes today ready to talk about the problem but not armed with very much in the way of a factual basis for taking a position one way or another, leaving us where we were before.

If you could submit to us, any of you, any data that would help us to understand better the real distribution of these programs, who are, in fact, the people who need them, who is going to be left hanging if they are cut back, it would be very helpful. We have the impression that the administration was sold by the Office of Management and Budget, by the same people who sold it to President Ford, on the idea that this program, NDSL, was really obsolete now, that there was plenty of money available in direct student loans that would be available to the same people, and that the loss ratio in that program was so high that it was no longer justified, and so on. In fact, the howls that we heard immediately when the President's budget came down indicated to us that not everywhere in the country was that true. We are now trying to piece it together with its relationship to the other programs. We really do need some help from people who are not tied up with a particular type of institution because that affects their attitudes about whether it is a good or bad program.

Mr. **MIRANDON**. Mr. Chairman, I would like to hope, and I honestly believe it will come true, that with the program's localization and personalization within the States, as you have provided, you are going to see more students obtaining more loans locally and, in due time, the phaseout of direct student loans. I would rather see it rapidly, in support of what you are saying, than slowly. But it is going to take place. We will get you that data.

Mr. **BUCHANAN**. You mean of NDSL?

Mr. **MIRANDON**. Yes. I would hope by the localization of the program and the stimulation of bankers, and other means of private lending, and so on, we are going to have less need for NDSL.

Mr. **BUCHANAN**. I went on a real but unsuccessful crusade in my own congressional district 3 years ago, in cooperation with guaranteed student loan people here, hoping we could get more participation and cover more low-income young people and so forth. In your earlier testimony—if you make it purely a business thing—with most bankers, for example, it really militates against the achievement, it seems to me. We don't have statistics and I would like more information, too, but what little I do know would tend to lead me to believe there may be some continuing basis for the life of the NDSL program if we are going to get everybody covered adequately.

I, too, would appreciate further information of a rationale for its demise. It seems to me this administration and the past administration all are for its demise but I am not quite sure that there is evidence to say it is OK to do away with it, it is now obsolete.

I am right where the chairman is, if I understand him. I think we need more information but I personally would be very reluctant to can this program without knowing that we are going to get certain groups taken care of by guaranteed student loan programs or in some other way.

Mr. **MILLARD**. Mr. Chairman, it seems to me this is an issue on which—Mr. Buchanan—I would like to suggest down the road if there is adequate movement to the development of guaranteed loans on the State level, it may well be the case that NDSL will become redundant. I don't think it is now. I think part of the problem, in relationship to this, has been the gap between the FISL program, on the one hand, and the State loan programs, on the other, and what in the past—this is not being critical of the present operations in OE—but in the past has been, to a large extent, a kind of schizophrenia in regard to the guaranteed loan program itself, as to where it should be, what the conditions should be, and so on.

If you go back to the original of the guaranteed loan program, at that time the States were permitted to develop their own programs if they wished but every incentive was in the opposite direction. I think one of the results of this has been not only the lack of continued growth over the last few years in States programs but the creation of a kind of situation in which NDSL did serve an important need and probably will continue to until the programs across the country can be more effectively developed.

Mr. Chairman, what I said before, I would like to come back to if I may. One other piece of factual information. I am concerned that it would be the perception of the committee that the SSIG program is, in any sense, devised on the State level to exclude the independent, nonprofit institutions. As a matter of fact, I think in terms—and I don't have the exact figures with me—we do have them here but not at the table—but the majority of the State funds that go through SSIG or through State programs do go to independent, nonprofit institutions.

Mr. FORD. You have to convince our colleagues on the Senate side of that.

Mr. MILLARD. Currently there are five States in which that is not the case: Wyoming which has no private institutions; one of them is Colorado, which is in the process of changing its law; another, Nebraska, which is also in the process of changing its law. And the other two are Hawaii and Montana.

The major impact of the program has tended to be more in the direction of making choices available to the independent institutions than excluding them.

I think this needs to be pretty clearly understood in terms of the historical facts to date. As far as our position is concerned, it seems to me these need to be made available to public and private students in public and private institutions as well. I don't particularly like to see the public students in public institutions excluded any more than students in private institutions but I think it is historically wrong to assume that there are very many cases in which the State programs have been aimed only at the public.

The States have done far more in terms of recognition of the problems and the issues in providing support for the private institutions than the Federal Government.

Mr. FORD. I don't think there was any intensity of feeling on this side at all about the issue. It is something that came to us from the Senate, but I do recall that there was a lot of snarling when we suggested taking it out of there.

It made it appear the Senators were at least convinced that somebody was closing the doors on the private institutions and that this kind of strong, straightforward piece of language had to be in the bill. Senator Javits' amendment put it in there. Do you know why he felt that way, coming out of New York? Does New York have a particular problem?

Mr. RHETT. I have not talked with the Senator about it. I understand there was a simple objective of just extending more benefits to more students and this seemed like a straightforward and direct way to do it. I don't think there was any local situation that led to this specific conclusion.

Could I add a comment or two about the guaranteed student loan and NDSL balance?

Mr. FORD. Go ahead.

Mr. Rhett. I think the States have a role that I can illuminate by stating what we have done in New Jersey. There is a delivery system question about guaranteed student loans that has to be confronted if it is to be conducted as a business, as there now are some students who are not going to get loans through those lenders.

When this allegation was made to us at the State level in New Jersey several years ago, we did our best to investigate and try to get some estimate of the number of eligible students who were not getting GSL or who were being denied access to them, if you will, by a lender on the legitimate grounds that the portfolio had reached the size the lender wanted to maintain in a business-like sense.

As there was enough of a reasonable doubt in our minds, we originated some State legislation, and it was passed and enacted. This opened up what we call the public loan window and the State put us into the position of the court of last resort, if you will. If an eligible student could not obtain a GSL, he would come direct to the State agency. My responsibilities include the guaranteed student loan agency in New Jersey, which is the third largest in the country. We guarantee over $70 million a year with a portfolio approaching $500 million in guarantees. We think we operate a reasonably efficient guarantee agency. We don't like to be a lender. It is a difficult set of staffing and administrative concerns we get into when we start lending.

Nevertheless, if a student could present us with signed statements from lenders saying that the student could not get a loan, and the reason, and the student was otherwise GSL eligible, we would then make what we call our public loan window available.

We also run a central referral service so that when a student, who calls us and cannot find a GSL loan, can be connected with a lender who still wants growth in the portfolio.

I would suggest that those kinds of moves have to be made. One thing we found out from this experience is that we now have a very accurate annual listing of the students who were GSL eligible and the reasons they were denied loans by a bank, the prime reason being that they did not have an account there. An account relationship was not established. Again, I am not saying this to indict or condemn lenders. It is a perfectly legitimate reason for some of them who feel they have reached the maximum amount of portfolio.

But as the balance shifts, I feel there certainly is a trend. Our GSL volume is going upward at the rate of 15 percent or sometimes 20 percent a year. The NDSL, I feel, first of all, ought to be made to conform in its conditions and procedures so the Government is not running two almost contraethical loan programs with conflicting sets of market conditions, 3 percent and 7 percent.

Then I don't believe, Mr. Buchanan, if you will let me add—that the question is not the cutting out of the NDSL program. It is the cessation of capital being plowed into that program. There is a certain revolving aspect to it, especially in institutions that have been running the program for some time, so that it would continue in many institutions on the basis of the revolving funds.

I think if it were in a conforming 7-perent relationship on the campuses that you have there the makings of a rational balancing act as the emphasis shifts to GSL. I am, of course, very pro-GSL on behalf of State agencies, At the same time I am cognizant of the fact some students are not connecting that are eligible. There has to be that point in the balance to make sure they don't get lost in the transfer of powers into GSL programs from a campus-based program. The most useful function that the NDSL program now serves is to package a loan for that student who cannot get a GSL loan.

I can tell you there is a heavy geographic concentration of those students. If you look at center city environments, such as Newark and Camden, banks are not ready yet, in the social order of things, to take on a lot of people who traditionally have not been in the college-bound population, and this is the first time in their life in a bank.

NDSL serves an extremely important function in making loan funds available to the students. I tried to indicate there are some mechanisms through which you can rationally transfer some of that function rather than talking about the elimination of this program.

Mr. **Ford.** It did not bother anyone too much when, as a matter of public policy, we made NDSL loans to people and said: "You don't have to pay it back if you perform a public service job. We want you to do something else." Frankly it does not bother me that we lose 20 percent of the money. I don't think it is wasted. I think the fact we have given access to people who would not otherwise have access to higher education is worth 20 percent of the annual cost of that program.

Mr. **Rhett.** I am still paying back my NDSL loan.

Mr. **Ford.** It is like the Postal Service, however. We all stand around here talking about how it should operate on a break-even basis, but every year we give it $1.6 billion and we say it is a matter of sound public policy, we want to hold down the rates for blind people, and schools, and libraries so we will pay for this but we won't do it up front.

We do it after the fact as in the form of deficits. Maybe that is what we have been doing with NDSL. On that, obviously we cannot say we ought to lose 20 percent a year on it as a matter of sound public policy and consider that a reasonable cost for maintaining the program, because everybody will want to be in the 20 percent.

But, in fact, in criticizing or examining the program, it has served a little bit different function than other types of programs because, as a matter of policy, it has been able to encourage people to do particular things by the loan-forgiveness provisions, for example, that don't lend themselves to the other loan programs very well.

Currently, there does not seem to be very much incentive for using that program to try and get any particular type of person trained but the concept, nevertheless, has been accepted for a long period of time. Now, we allow a student to get deeply in debt to get a college degree that has no economic worth when they finish and they are saying the same sort of thing they say to the bank that lends them $5,000 to buy a car that is not satisfactory: "Why did you lend me this money to buy this lousy car?" How is that different, just because they are college students, from the way everybody else lives in this society?

Mr. **Erlenborn.** I would like to comment on that. I think it is very unfortunate that we have used NDSL as a method of making grants. If we have a grant concept, we ought to do it in a grant program. If we have a loan program, the concept should be a loan program.

We were using NDSL to encourage people to go into teaching long after we had a large surplus of teachers. It is no wonder they felt they had no obligation. At least we have done away with most of the loan forgiveness, but I was interested in Mr. Rhett's description of the public window, loan window. I think that is a fine concept, and I would be interested in the figures developed. What percentage of loans made in the State are made by your public window in terms of numbers of loans and total dollars.

Mr. Rhett. Very small. Because we set aside only $2.5 million to do this.

Mr. Erlenborn. You have a portfolio problem, too.

Mr. Rhett. We funded it as a social experiment, that is right, and we pretty much used that up. One reason we are beefing up our referral service is to try to lessen the drain on that public window.

Mr. Erlenborn. Does this mean you turned down loan applicants or have you met the full need?

Mr. Rhett. I am sorry to say that there are some that probably need it and have not gotten it even though that public window has been in existence. I cannot assure you everybody who needs a loan knows about it. I would be glad to send to the subcommittee our data, such as it is. Although the population is relatively small that has used this service it is interesting to look at the reasons why they have used it. That is, the signed statements by the lenders as to why a loan could not be made available although the lender did participate in GSL.

Mr. Erlenborn. I think that could be extremely valuable to the subcommittee. Again we have had a lot of rhetoric about banks misusing this program to promote business and so forth. We really have not had a dearth of any valid information. Of course there is a difference in philosophy, too. For instance, Senator Javits and I disagree as to the philosophy of the GSL program. I don't think it was designed to serve the poor people, and I don't think we should be developing figures. Yet Senator Javits over the years, Senator Kennedy and others have complained that a good deal of this money is going to middle-income students, students from middle-income families.

They are really for whom the program was designed. If you could give us your experience you could show us what percentage of the students are finding it difficult to get a loan from the financial community. Can you give me any idea? Is it 2 percent, 50 percent?

Mr. Rhett. The fact that we guarantee over $70 million a year and yet have only given perhaps $2 million of these loans in 2 years means it is a relatively small fragment. You will have to consider this evidence as fragmentary, but like good bureaucrats we give ourselves quarterly reports and I will be glad to send them to you, so that you can see the population that is using this service.

We also had to start another State loan program. The mechanism that sets Federal loan limits is often slow to react. The 1976 amendments raised some of the limits, but before that we had to put in supplementary State loan programs especially for graduate students to go above the existing Federal limits.

That also drained our reserve funds and prohibited us from running a wide-open, advertised on billboards, public loan window sort of thing.

Mr. Erlenborn. Are these guaranteed loans part of Federal loan system?

Mr. Rhett. The ones for graduate students we had to fund on our own. State guarantee, direct lending from the State, so it was a dollar-for-dollar takeout from our reserve funds.

Mr. Ford. You have a similar requirement to the other program. They must first have——

Mr. Rhett. They must have used up their GSL limits. In our medical school tuition is now $4,000. The typical annual budget for the medical student who is going into intership and has to go to the teaching hospital and back home, can go anywhere between $7,000 and maybe $10,000. They need rather high annual support and when the loans were at a somewhat lower level where they would only cover half of that cost, we had to chip in with a State law that said we could lend above the Federal loan limits.

Thus we created some dilemmas for ourselves, because our reserve fund has multiple drains on it at the State level.

Mr. Erlenborn. Are you eligible and do you participate with Sally Mae?

Mr. Rhett. At the present time we do not. We are thinking of doing that.

Mr. Erlenborn. As the father of Sally Mae I would encourage that you do that.

Mr. Mirandon. I didn't know you could do that with the State program. You could with the Federal.

Mr. Erlenborn. With your Federal-insured program.

Mr. Mirandon. Right.

Mr. Erlenborn. I would encourage you to use Sally Mae because Sally Mae is making a profit and you might help to add to their profit and I just love to send out press releases saying, "Here is a Federal program that not only does not cost you any tax dollars but is making a profit."

Mr. Ford. In a perfect world, John would have the entire Government run at a profit.

Mr. Cook, on page 5 of your statement you talk about the need to amend recently enacted veterans' assistance legislation to correct basic flaws and curb excess involvement of the Veterans' Administration in matters that are properly the concern of the States and institutions of postsecondary education.

We expect to be talking soon to the Veterans' Administration. Would you like to be more specific about what your problem is?

Mr. Cook. This is a two-sided problem from where I see it.

Mr. Ford. I have the idea that you have an opportunity right now to state it in a way that will get it back to the VA in less than a half hour.

Mr. Cook. We have a veterans' approval agency which is lodged in the department of education because we did not have a State board of higher education until the early sixties. Generally the feeling of institutions in my State and I think probably across the country is that some of the latest regulations in terms of the veterans' program are simply too stringent. For example, requirements to keep records for class attendance is one of the ones I have heard more about. We have separate certification for example for proprietary schools by the department of education. Even though the veterans' approving agency is a part of the same department, there are two separate divisions. The

State board of higher education gets involved in certification of a degree-granting institution. So the problem within that is the coordination of all these, and why couldn't the veterans' approval agency for example be one of the other things?

Couldn't we have less division because it really all gets at the same kind of thing? For example, in my State using as a concrete example, why couldn't the agency which happens to be the State board of higher education also be the approving agency for the veterans? And I think also there is further a problem with this, and some of the people who work more directly in student aid programs will know more of the details.

There probably needs to be a little better relationship between some of the State approving agencies and the Federal Government in this, and some of the State agencies might have taken the regulations and read too much into them than what was intended.

Mr. **Ford.** Does that produce different interpretations between States.

Mr. **Cook.** Yes. And also of course then you have got different interpretations within the State among institutions. It creates a problem all the way up and down.

Mr. **Rhett.** If I could add on here—certainly in our State we faced the same problem of having a department of education and a department of higher education. The VA did let us both be State approving agencies. We are the State approving agency for all the collegiate postsecondary institutions and the other department retains the proprietary and vocational-technical sectors and their veterans staff is eight times as large as ours, which is curious.

There are some arcane formulas through which the VA considers an entity to be an institution or a program. But I do find, as I said earlier, that having created us as a State approving agency, even with some Federal dollars to subsidize staff activities for veterans, they virtually disregard our advice. They will ask us to be the State approving agency for a program. We will approve it and without any discussion with us, without hearing, they might send a contrary opinion down to the VA central office in Washington.

You might ask the VA representatives when they appear as to what is their conception of what a State approving agency does.

Mr. **Cook.** I recognize the thing you described is part of our problem in Arkansas as well. It is not just a federally created problem. We need to deal with it ourselves within the State. But I think it is another example of the Federal Government and the State working together to come out with a solution here with the Veterans' Administration in this particular case.

Mr. **Ford.** Could you within the next few days send us a little memo with some examples of the conflict between States in interpreting the VA regulations, the kinds of conflict of regulations that you are talking about here? We would like to send them to VA before they appear here so that they know in advance what we are going to ask them about.

Mr. **Cook.** We will be delighted to do so.

[Material referred to appears at end of testimony.]

Mr. **Ford.** Mr. Buchanan?

Mr. **Buchanan.** Dr. Cook, you mentioned in your chart you included $15 million for education information centers and as you know the

House included $5 million, the Senate nothing. I wonder if you or other members of the panel would give a rationale for the education information centers and if you consider this a matter of priority.

Mr. Cook. Well, I will let Dick Millard speak in a minute, but let me talk about how this was created. It was not created in one program in isolation of another. The organization of SHEEO spent a great deal of time looking at this, and figures were at different levels at different times. We tried to look at all the various education programs, not studied alone. That is a section of this. We tried to look at what we thought were some of the needs that are outlined in this policy paper and make this budget—our recommendations consistent with the policies that you stated in here—and then in turn tried to look at what we consider to be a reasonable total and then take each one, each program, look at its importance in the total framework. Your specific question dealing with education information centers, we see this as a program that does have a great deal of future in terms of the future of postsecondary education and within that framework so it is hard to take one item in the approach we tried to take to this budget recommendation.

Mr. Millard. I will be glad to speak in terms of the priority that it seems to me the student information centers ought to have and the relation of these in terms of the student aid program. I think they are tied up together. One of the problems is getting the information to the high school students as well as to potential college students at an appropriate time, and in terms of their planning process, all the way back to, if necessary, to the high school junior.

This is not done now. High school counselors try but they frequently do not have adequate information or even means of getting at the source of it. We have been concerned at the Commission with the question of better information for students and potential students. Going back of that we were involved in consumer protection conditions in postsecondary education.

You are aware of the other factors within the amendments of 1976 that relate to institutional disclosure and a number of these things tie together. It seems to me the important part about the student information centers is this does offer an opportunity—it calls for State planning in relationship to it, and it offers an opportunity to bring the various sources together and bring them together in such a way that will be most useful in relation to a potential student who does not yet know what he wants to do.

We have been involved in the business of institutions preparing, attempting to develop more effective information for their potential students. But this works only when the student decides he may want to go to *x* college. Then he sends for information and he gets it. It may or may not be reasonably accurate, but the question is what about the potential students who at this time do not know where they want to go? How do they find out? How do they find out what kind of student aids are available? How do they find out how these various parts of the Federal student aid package fit together?

It is not something that can be done from Washington. It is not something the individual institutions can do. It does need to be community centered in such a way that the high school counselors are involved, the institutional student aid officers are involved, and so on.

This comes back to part of the general thesis that we have been trying to talk about. If you are looking for the kind of integrated approach to meeting the postsecondary financial needs of students and their academic needs as well, then at least the potential for the student information centers as an integral part of this total program is extraordinarily important.

There are gaps, loopholes now, just as in relationship to the loan programs that Haskell Rhett was talking about. Too many people don't know where to go to get the kind of information that would be helpful in terms of the kind of decisions they make or the kind of help that is available to them. I think this is why this probably should have a reasonably high priority if for no other reason than to make the combined State-Federal-institutional student aid program in terms of its basic intent to get the aid to the students who need it and can benefit from it.

I think this is one very important aspect.

Mr. **Ford.** Is this picture going to change with the declining enrollment and the more aggressive recruiting that institutions are putting on?

Mr. **Millard.** I suspect it will become more acute. It will become more acute—I must be careful how I phrase this—it is likely to become more acute because of the competition itself. Because the temptation is likely to be in a good many cases to argue we need the student, we want the student, and we will sell the student on our institution regardless, when it may well be the case in exactly such a competitive situation the comparative information is even more important than the individual institutional information.

This is already happening to some extent in areas of adult continuing education. Joe Cosand used to point out—and it is more frequent rather than less frequent now—three or four institutions, in this case three of them public, one of them private—if I remember Joe's description this was in Michigan—advertising in the papers in direct conflict and competition with each other.

The question is where does a student get the kind of information that makes it possible for him to make some kind of reasonable choice among these competing factors? The potential, relatively neutral sources, informed sources of information provided through the community, the State in cooperation with the institutions can be one of the most important leveling factors not in the sense of pushing down but in terms of making reasonable choice possible including information about the types of aid that are available if he makes certain kinds of choices.

Mr. **Rhett.** I wanted to say that this is a subject dear to my heart. You might recall that Congressman Patten from New Jersey was instrumental in recommending that $5 million—and I will save you a long tale and simply say there are three things that we talked about with Congressman Patten. One would be who can be the honest broker. Can it be the institutions? This goes back to something you said about the use of NDSL loans in terms of recruitment devices. Information purveyed by institutions alone, as Dick has implied, certainly lacks in neutrality. Some of the market conditions change. The second one is the regional aspect of the thing. Information for student choice is furnished in different ways in center city Newark than it is in, say, southern New Jersey, which is relatively rural.

We would propose in our State to have three regional education information centers that would deal with dissemination differently.

The third thing is the matter of philosophy. As we load more and more student aid into the conduit, there will be more and more weight resting on the intelligent choice of the student to use that aid.

I really feel that there is some distance to travel before we can say we have given the student information on which to make that choice of where to take the basic grant and guaranteed student loan and SSIG grant.

So there are three main areas of argument that we think make it well worth fighting for in conference to start the precedent of funding this program.

Mr. Cook. This is an example. Through the 1202 Commission in Arkansas, we started publishing annually a directory of postsecondary institutions that never existed before. We send these to high school counselors and each year we added. Now it has a listing of institutions, programs they offer, a student financial aid section that is statewide, and maybe specific aid programs for institutions that might be different, and admission standards.

We have had a tremendous responsibility from the general public. This is just a beginning of the kinds of information we are talking about.

Second, I want to say amen to what they said about competition going to be heavier and heavier and the student will be pushed to go to the institution that offers the best and the largest amount of money in many cases which is not a good reason for choosing an institution.

Mr. Buchanan. You make a very strong case.

Mr. Ford. I am just checking the time. I believe we have one of your Arkansas students working for the committee for the summer on an internship, so we will put him in charge of gathering your material together for next week for the hearing with the VA in particular.

We would like as much specific detail you feel you can give us, because we expect that that is going to be a productive visit with mutual sharing of information and cooperation which is going to solve a lot of our problems. This is a good opportunity to let them know.

Do you have anything else?

Mr. Buchanan. One item. Mr. Lee mentioned State grant programs based on merit. I would love any additional information that you may have on such programs and whether this is a trend.

Mr. Lee. There are several programs sponsored by States which not only are based on need but also some measure of academic ability and that seems to be present in at least two or three States. I will provide you with specific information about that.

Mr. Buchanan. Thank you.

Mr. Ford. How about States doing what New Jersey is doing to take up the slack that is caused by economic measurements that are too stringent either by the qualification of the student or by the amount of money that they can obtain.

Mr. Lee. I think it is an important point to make about the State programs, that often times they are able to complement the Federal programs. Different States have a very different mix of institutions and economic need differences which can be met only in part by the traditional Federal programs. Between Arkansas and New Jersey you would have vastly different problems to be faced.

The Federal programs are operated on certain definitions of need within certain constraints that are necessary. The State programs allow flexibility to help in those special occasions and those special students unique to the specific State. We are preparing and will provide to the committee staff a rather exhaustive description of what student aid programs are doing in the various States which as a reference work should be helpful in the deliberations.

Mr. **Ford**. Thank you very much, gentlemen, for your patience and for your participation today. We appreciate the amount of time that went into your preparation. We appreciate having your assistance, and we would like to tell you that the record stays open if you have additional thoughts. We expect to go on for some time in this fashion and then move into a pattern of meetings around the country with student assistance people.

We had what we considered a very productive 2 days in Texas where they rounded up their people from all over the State and brought them in to talk to us, not in a hearing setting but in a more informal setting. We would like to try that in some other parts of the country after we get the base of the testimony finished in Washington, so you might have some suggestions about where we would profitably spend that kind of time.

The committee will stand in recess until tomorrow.

[Whereupon, at 12:35 p.m., the subcommittee recessed, to reconvene Thursday, June 9, 1977.]

[Material submitted for inclusion in the record follows:]

Congress of the United States,
House of Representatives,
Committee On Education and Labor,
Subcommittee On Postsecondary Education,
Washington, D.C., June 14, 1977.

Hon. **Ernest Boyer**,
Commissioner, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

Dear Commissioner Boyer: As you know, the Education Amendments of 1976 added a sub-section (f) to Section 420, the Veterans' Cost-of-Instruction Payments, of the Higher Education Act, which states:

"(f) The Commissioner, in carrying out the provisions of this section, shall seek to assure the coordination of programs assisted under this section with programs carried out by the Veterans' Administration pursuant to title 38 of the United States Code, and the Administrator of Veterans' Affairs shall provide all assistance, technical consultation, and information otherwise authorized by law as necessary to promote the maximum effectiveness of the activities and programs assisted under this section."

In connection with our oversight activities on federal student financial assistance programs, I would appreciate any information you can provide the Subcommittee with respect to the Office of Education's efforts to comply with Section 420(f).

A similar request is being made to the Veterans Administration. We would appreciate receiving this material as soon as possible so that it can be included in the record of our current hearings.

Sincerely,

William D. Ford, *Chairman*.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., July 20, 1977.

Hon. WILLIAM D. FORD,
Chairman, Subcommittee on Education and Labor, Committee on Education and Labor, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of June 14, concerning the Education Amendments of 1976, in which there is a mandate that the Commissioner of Education seek to assure the coordination of programs assisted under section 126 of the amendments (veterans' cost-of-instruction program) with programs carried out by the Veterans' Administration (VA). I appreciate your interest in this matter and am more than happy to respond to your inquiry.

As you know, the veterans' cost-of-instruction program (VCIP) shares an interdependency with programs providing various educational benefits administered by the VA. In addition to the liaison carried on between various agencies, including VA, by the Federal Interagency Committee on Education, constant communication between VCIP staff and various offices in the VA is carried on as the need arises. I believe, however, that the intent of the legislation calls for a more formal arrangement to be established by the Administrator of VA and myself. It is my intention to meet with Mr. Cleland in the near future to look for ways to improve coordination and be most helpful to the students and institutions.

As soon as I have the opportunity to discuss this matter with Mr. Cleland, I will report the results to you. Again, thank you for your interest. If you should want to discuss this with me, I would be more than happy to do so.

Cordially,

ERNEST L. BOYER, *U.S. Commissioner of Education.*

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Washington, D.C., June 14, 1977.

Hon. MAX CLELAND,
Administrator, Veterans' Administration,
Washington, D.C.

DEAR MR. CLELAND: As you know, the Education Amendments of 1976 added a sub-section (f) to Section 420, the Veterans' Cost-of-Instruction Payments, of the Higher Education Act, which states:

"(f) The Commissioner, in carrying out the provisions of this section, shall seek to assure the coordination of programs assisted under this section with programs carried out by the Veterans' Administration pursuant to title 38 of the United States Code, and the Administrator of Veterans' Affairs shall provide all assistance, technical consultation, and information otherwise authorized by law as necessary to promote the maximum effectiveness of the activities and programs assisted under this section."

In connection with out oversight activities on Federal student financial assistance programs, I would appreciate any information you can provide the Subcommittee with respect to the Veterans Administration's efforts to comply with Section 420 (f).

A similar request is being made to the U. S. Office of Education. We would appreciate receiving this material as soon as possible so that it can be included in the record of our current hearings.

Sincerely,

WILLIAM D. FORD, *Chairman.*

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 18, 1977.

Hon. WILLIAM D. FORD,
Chairman, Subcommittee on Postsecondary Education, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your correspondence concerning implementation of section 420, subsection (f), the veteran's cost-of-instruction payments, of the Higher Education Act.

The Education Amendments of 1976 added to section 420 of the Higher Education Act a provision intended to discount veterans whose eligibility for Veterans' Administration educational benefits expired on June 1, 1976. This exclusion was for the purpose of computing schools' continued entitlement to receive veteran's cost-of-instruction (VCIP) funds. The purpose of the formula was to allow schools to retain VCIP eligibility in spite of the loss of a substantial number of veteran enrollees due to the June 1, 1976, delimiting date. Implementation of this provision required identification by school of the veterans who were enrolled before June 1, 1976, but who were terminated on that date.

The Veterans' Administration, in cooperation with the Veterans Program Branch, Office of Education, Department of Health, Education and Welfare, created a magnetic computer tape which recorded the numbers of affected veterans attending each school who were potentially eligible for VCIP funds. The Office of Education in turn produced printed records from this tape and employed these records to verify computations in school applications for VCIP funds.

While this represents one of the major programs of interagency cooperation in this area, the Veterans' Administration has been in repeated and very productive informal contact with Mr. Robert Martinez, Chief, Veterans Program Branch, Office of Education, Department of Health, Education, and Welfare. There have been contacts between Mr. Martinez and the staff of the Education and Rehabilitation Service of the Veterans' Administration and the staff of the Veterans' Assistance Service of the Veterans' Administration.

From time to time individual field representatives of the veteran's cost-of-instruction program have contacted our local offices or our central office for information, such as current policy circulars and regulations. These are routinely provided and the individuals concerned are added to the appropriate mailing list to insure that they receive future publications of similar items.

At the field station level our vet-reps on campus coordinate their efforts with those of the veteran's cost-of-instruction program representatives so that paperwork involving veterans' individual claims is handled by our personnel. This permits the VCIP personnel to devote their time and attention to the outreach tasks assigned to their organization by their statute.

I sincerely hope that this additional information will be of assistance to you and your committee.

Sincerely,

MAX CLELAND, *Administrator.*

NATIONAL COUNCIL OF
HIGHER EDUCATION LOAN PROGRAMS,
June 14, 1977.

Hon. WILLIAM D. FORD,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN FORD: Thank you for the opportunity to appear before your committee on behalf of the National Council of Higher Education Loan Programs. The data you requested pertaining to the distribution of the National Direct Student Loan borrowers by income level as compared to Guaranteed Student Loan borrowers must be obtained through the Office of Education. That information as well as a comparison of recent FISL vs State agency loan volume and projections of future growth, plus estimates of proportionate "other" indebtedness of student loan bankrupts will be compiled for your committee. Again, the Office of Education must be depended upon as the main source.

Please allow me to reemphasize that we do favor discharge of student loans through bankruptcy in cases of severe hardship as determined by the court. The case you described of a hard-working student who developed an unsuccessful business while in school would very likely fall into the category of severe hardship. On the other hand, it is the apparent permissiveness of student loan bankruptcy prior to starting a career that troubles most good citizens. We are afraid that if Congress were now to eliminate the moratorium provision of the Education Amendments of 1976, it would indicate that student loan bankruptcy has again been reestablished and that more students should be invited to use it. The vast number of citizens who are aware of and who support the moratorium would more than likely turn against the very purpose of our effort, helping students.

To provide adequate student assistance, it is vital that lenders follow the most effortless operational requirements possible for extending these loans. Bankers have been the "good guys" in this program and to fulfill their mission to the student, we must establish and prove that it is basically a "lenders' program." States that have had agencies for almost two decades can depend upon excellent lender support, including at least one bank in each state that will provide last-resort lending to a student who may not otherwise be able to find a lender. Today the astronomical rise in the need for student loans has caused may of us to consider last-resort direct lending, or "public window" lending as in New Jersey, in order to assure ourselves that every deserving student receives adequate assistance. Unquestionably this concept will be introduced where necessary, although we desperately wish to keep experienced private lenders in the program and we believe this can be achieved by reducing paperwork redundancies in an already tightly regulated program.

We will be most interested in receiving transcripts of the June 9 testimony by students before your committee. The program, with all its imperfections, has nevertheless proven to be a superb example of cooperative effort among students, schools, lenders, agencies and government. With your guidance and support we wish to improve this further.

Respectfully yours,

J. WILMER MIRANDON,
President.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Washington, D.C., July 5, 1977.

Hon. MAX CLELAND,
Administrator, Veterans Administration,
Washington, D.C.

DEAR MAX: In our series of oversight hearings on all forms of Federal assistance to students, we received testimony from State higher education officials.

Following this testimony, one of the witnesses, Haskell Rhett, assistant chancellor of the New Jersey Department of Higher Education, wrote outlining problems the State Approving Agency has with the Veterans' Administration.

In light of our continuing interest in and responsibility for coordinating student assistance programs, I thought it would be appropriate to make you aware of these comments and I am enclosing the relevant portion of his letter. Your response will be appreciated.

With kind regards, I am

Sincerely,

WILLIAM D. FORD, *Chairman*

STATE OF NEW JERSEY,
DEPARTMENT OF HIGHER EDUCATION,
Trenton, N.J. June 17, 1977.

Hon. WILLIAM FORD,
Chairman, Subcommittee on Postsecondary Education, U.S. House of Representatives, House Office Building, Annex No. 1, Washington, D.C.

DEAR CHAIRMAN FORD: I appreciated the constructive discussion we had during the Subcommittee hearing on June 8, and hope that our testimony and opinions were useful to the Subcommittee. During the course of the hearing I said that I would forward information to the Subcommittee covering three areas: (1) The experience in New Jersey of administering a Public Loan Program for those students who were unable to secure a Guaranteed Student Loan through a lender; (2) information on our experience as a State Approving Agency for the Veterans Administration; and (3) suggested amendment language covering the mandated inclusion of all nonprofit institutions in the State Student Incentive Grant (SSIG) Program. This letter will convey information in the first two areas; I will send you language for the third area at a later date after I have had some time to confer with colleagues in other states.

The New Jersey Higher Education Assistance Authority, which is the agency administering the Guaranteed Student Loan Program in the New Jersey Department of Higher Education, also has administered a Public Loan Program for the last two years with the intent of making direct loans to New Jersey students who are eligible for Guaranteed Student Loans but cannot find a lender who will make such a loan. The administrative procedures for this program include a Certificate of Student Loan Denial that is completed by the lender and the student and forwarded to the Authority with an application, so that we can be assured that the student has attempted to secure such a loan through a lender. The Authority has set aside $2.5 million from its reserve fund to run direct loan programs, and as you can see from the attached May 31, 1977 report, we have currently expended almost $2 million for the two state direct loan programs—the Public Loan Program and a Graduate Insured Loan Program that provides supplementary loans above the GSL limits for medical and dental graduate students. Please note that the report gives the reasons appearing most frequently on Certificates of Student Loan Denial. From these certificates we can see that most students applying for a loan through this program have been denied a GSL loan by a lender because they are a nondepositor or lender funds were not available. To place the size of this program in context, the Authority currently guarantees over $70 million a year in Guaranteed Student Loans, with a cumulative portfolio of over $500 million. Approximately 45,000 students borrow each year through the GSL program in New Jersey, to the 633 Public Loan holders obviously represent only a small fragment of the student loan population.

With regard to the role of the state in matters under the jurisdiction of the Veterans Administration, I can speak as the responsible official for the State Approving Agency (SAA) for VA matters in New Jersey. I think that the role of the State Approving Agencies should be recognized according to the full independence granted them in academic matters by the Congress. At the present time, however, it is difficult for many of us in this role to perceive what duties and responsibilities we have that are not either overruled or ignored by the Veterans Administration. As a State Approving Agency, for instance, we are not notified by the VA of the scheduling of compliance surveys, the findings of compliance surveys, potential liability notices, hearings, moratoriums, or suspensions. Thus we must exist at a high level of trust and cooperation with the institutions to have them inform us as these various conditions are imposed by the Veterans Administration without regard to our role. We do endeavor to provide technical assistance to institutions facing these conditions.

Furthermore, our recommendations, investigations, and decisions are often rejected or remanded by the VA when not in line with their regional office decisions. We have made SAA recommendations in New Jersey affecting Bloomfield College, Burlington County College, Brookdale County College, Princeton University, New Jersey Institute of Technology, Ramapo College, and Saint Peter's College that fall in this category. Even when we comply as an SAA with Veterans Administration deadlines and regulations, such as in the submission of standards of academic progress, we find that the VA requests for "clarification" can continue for years after the submission. We think that the cooperation mandated for the VA in such matters through Title 38 of the U.S. Code is in conflict with VA policy in many of these areas.

I am sure that you have received sufficient advice about the shortcomings of Appendices A through O of DVB 20–76–84, which were written without any outside comment or advice, and with minimal opportunity for review before being issued in final draft regulation form. A number of national organizations which I shall not list here have testified before the House Veterans Affairs Committee with the constant theme that the VA should consult them regarding policy that affects schools and educational benefits. Yet any progress in this regard is difficult to perceive.

As your Subcommittee holds hearings on these and related topics in various regions, I hope you will consider holding a hearing in New Jersey. It would be my pleasure to invite you to hold such a hearing at a New Jersey college or university, and I would be glad to work with your staff to make appropriate arrangements.

Please let me know if I may furnish any more specific evidence to document any of the areas I have briefly touched upon above. I appreciate your interest in our work and look forward to cooperative progress on many of these areas.

Yours sincerely,

HASKELL RHETT,
Assistant Chancellor.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., September 2, 1977.

Hon. WILLIAM D. FORD,
Chairman, Subcommittee on Postsecondary Education, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for bringing to my attention the comments which you received from Mr. Haskell Rhett, assistant chancellor of the New Jersey Department of Higher Education. Mr. Rhett's comments dealt with problems which the New Jersey State Approving Agency has had with the Veterans' Administration and with the implementation of certain provisions of Public Law 94-502.

Mr Rhett is extremely concerned about the role of State approving agencies in general, and the role of the New Jersey State Approving Agency in particular, vis-a-vis the Veterans' Administration. He states that the State approving agencies are continually overruled or ignored by the Veterans' Administration and, as a result, it is difficult for many officials to perceive what duties and responsibilities are specifically delegated by law to the State approving agencies and not subject to interference by the Veterans' Administration.

Section 1773 of title 38, United States Code, states that the Veterans' Administration and the State approving agencies must be aware of the definite duties, functions and responsibilities which each is assigned by law. It provides that cooperation between the Veterans' Administration and the State approving agencies is essential if the Veterans' Administration educational assistance programs are to be effectively and efficiently administered. It further holds that an exchange of information about educational institutions and approval matters must exist between State approving agencies and the Veterans' Administration. I can assure you that I fully support this provision of the law.

State approving agencies are for the most part responsible for inspecting and supervising schools within the borders of their respective States and for determining those courses which may be approved for the enrollment of veterans and eligible persons. They are also responsible for ascertaining whether a school complies at all times with its established standards relating to the course or courses which have been approved. This responsibility and authority is provided for in chapter 36 of title 38, United States Code.

The Veterans' Administration for the most part is responsible for authorizing the payment of educational assistance allowances after determining that veterans and eligible persons meet eligibility criteria established by law and are enrolled in approved courses which constitute complete programs of education. It is also the Veterans' Administration's responsibility to review all approvals granted to courses by State approving agencies prior to authorizing the payment of educational assistance benefits. This is done in order to establish that the courses have been approved in accordance with the provisions of chapters 34, 35 and 36 of title 38, United States Code. The Veterans' Administration has ultimate responsibility for administration of the educational assistance programs and this responsibility must include a review of all courses which have been approved.

The Veterans' Administration has exercised this review authority and responsibility in New Jersey in matters concerned with Bloomfield College, Burlington County College, Brookdale County College, Princeton University, New Jersey Institute of Technology, Ramapo College, and Saint Peter's College. In each case, the Veterans' Adminstration sought to determine whether a particular course or school policy met the requirements of law. I do not believe that the New Jersey State Approving Agency's recommendations, investigations and decisions were either arbitrarily rejected or arbitrarily remanded as Mr. Rhett asserts.

The other problems which Mr. Rhett has brought to your attention do not in and of themselves necessarily involve matters under the jurisdiction of or concern of the New Jersey State Approving Agency. He suggests that the New Jersey State Approving Agency should receive advance notification of compliance surveys and receive notification of all findings of compliance surveys, potential school liability notices and hearings, moratoriums and suspensions.

There is no substantive reason for notifying State approving agencies, in advance, of compliance surveys which will be conducted by the Veterans' Administration. Compliance surveys are conducted pursuant to section 1793 of title 38, United States Code, for several purposes including the objective of verifying and assuring the propriety of payments of educational benefits to veterans and eligible persons. To achieve this objective, the surveys are made unannounced in order to preclude the possible destruction, removal or falsification of records prior to the arrival of the compliance survey team. The State approving agency does not accompany the compliance team and does not participate in conducting the survey. To provide any person or organization outside of the Veterans' Administration with advance notice of compliance surveys would seriously compromise the integrity of the compliance survey program. I regret that I cannot honor Mr. Rhett's request.

Extensive study and consideration has been given to Mr. Rhett's request to receive notification of all of the findings of compliance surveys. Discrepancies which are discovered on compliance surveys involve matters under the jurisdiction of the Veterans' Administration and matters under the jurisdiction of the State approving agency. Following a survey, State approving agencies are officially notified of and asked to correct all discrepancies which involve violations of approval criteria. At the same time, the Veterans' Adminisrtation corrects all discrepancies which involve violations of payment criteria. The provisions of section 1773 of title 38, United States Code, regarding the definite duties, functions and responsibilities of the Veterans' Administration and the State approving agencies must prevail in this matter. Therefore, I believe it is imperative that a distinction be established and maintained between those discrepancies which require official State approving agency action and those discrepancies which require official Veterans' Administration action.

There is no substantive reason for notifying State approving agencies of potential liability notices and hearings. School liability issues do not directly involve approval criteria considerations and, therefore, are not under the jurisdiction of the State approving agency. When approval criteria considerations are a factor, the State approving agency is officially notified of what discrepancies exist and need correction. However, if a school wishes to provide this information to the New Jersey State Approving Agency, it may do so.

Mr. Rhett also states that the procedures which were issued to implement Public Law 94-502 were developed without consultation with the academic community. In fact, such consultation was accomplished in the normal manner through the Administrator's Education and Rehabilitation Advisory Committee and both formal and informal staff contacts with a large number of academic associations such as the American Council on Education. The academic community's opportunity to offer advance comments on proposed procedures was limited by the early effective date of many of the new law's provisions. Comments and suggestions we received were seriously considered and integrated into the published instructions wherever possible within the language of law and the intent of Congress. Both the Veterans' Administration Regulations and administrative instructions pertaining to Public Law 94-502 were or will be published in the Federal Register for public comment. Therefore, I wish to assure Mr. Rhett that published Veterans' Administration instructions are not rigid, but are open to change based on informed comments from affected parties.

The Department of Veterans Benefits is now sending proposed education-related circulars to a liaison committee of State approving agency officials for review and comment prior to publication. This liaison committee was selected by the National Association of State Approving Agencies, Inc. Proposed education-related circulars and forms are also being sent to selected regional offices prior to being issued. The regional offices are being asked to distribute the proposed publications to schools in their areas. The comments from all of these sources are returned to central office for consideration. I believe that this new system provides for effective comment from State approving agencies, schools and regional offices and will improve the administration of the Veterans' Administration educational assistance programs.

Thank you for your interest in the issues raised by Mr. Rhett and for affording me the opportunity to respond to them. A copy of this letter will be forwarded to our Newark regional office.

Sincerely,

MAX CLELAND, *Administrator.*

OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

THURSDAY, JUNE 9, 1977

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m. in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Biaggi, Cornell, Mottl, and Buchanan.

Staff present: Thomas R. Jolly, counsel; Patricia R. Morse, clerk; Mary R. Paul, secretary; and Robert Andringa, minority staff director.

Mr. Ford. We will call the hearing to order.

We are meeting today to receive testimony from representatives of those people most directly affected by the Federal student assistance programs, obviously the students themselves.

We will hear first from a panel of student representatives who will share their thoughts with us on the delivery of student assistance and give us some suggestions for better coordination of the programs and ideas for improving the Federal Government's role.

The second panel is composed of representatives of students who are also veterans and will perhaps give us another perspective of the role of the Veterans Administration delivery of student assistance. This issue has been discussed at length in previous hearings with the Commissioner of Education, college and university officials and, just yesterday, with State higher education officials. We will be going into it next week with representatives of the Veterans' Administration.

I am particularly happy that Congressman Mottl from Ohio is able to be with us this morning because he is also a member of the Veterans Committee, and I think it is extremely valuable to us and to that committee as well to have him as a link.

The first panel consists of David Rosen, Legislative Director of the National Student Lobby; Layton Olson, National Student Education Fund; and Larry Zaglaniczny, Coalition of Independent College and University Students.

How did I do with your name, Larry?

Mr. Zaglaniczny. Pretty close.

Mr. Ford. Without objection, the statements submitted by the members of the panel will be inserted at this point in the record and you may proceed to elaborate on them as you see fit.

PANEL OF DAVID ROSEN, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY; LAYTON OLSON, NATIONAL STUDENT EDUCATION FUND; LARRY ZAGLANICZNY, COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS, WASHINGTON, D.C.

STATEMENT OF DAVID ROSEN, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY, WASHINGTON, D.C.

Mr. Rosen. My name is David Rosen, legislative director of the National Student Lobby. We will divide our comments in this panel into three sections, roughly 20 minutes each, trying to keep our comments brief, allowing for your questions in following up any of our issues.

The National Student Lobby welcomes this opportunity, Mr. Ford, to work with you as you take on this chairmanship of the Postsecondary Education Subcommittee, beginning its oversight of the administration of student financial aid programs. We take this opportunity to give a comprehensive view of the problems of student assistance programs. We start from the simple but broad principle that student assistance should be conceived broadly so that no person be denied access to postsecondary education for reasons of social inequities. We wish to take the debate regarding S.A. beyond what is at this time a rather well established commitment in Congress to providing for the financial needs of students and prospective students. Three problems face students and prospective students in postsecondary education attempting to fulfill their educational aspirations.

The first problem is financial barriers. With the array of existing student air programs: Basic Grants, campus based programs, SSIG, and veterans' programs, social security, various grant, loan and scholarship programs, Congress has certainly spent a great deal of energy addressing these financial barriers to see for students and their families.

The second area is one which is emerging in Congress consciousness. That is the area of information regarding available financial aid from both the public and private sectors, as well as information regarding the types of educational programs and resources available at different types of institutions.

The third area of barriers experienced by educationally disadvantaged students is that students may have been tracked at an early age into low-skill-level-general-educational programs, may have developed poor academics skills, received inadequate—or no—career counseling, they may have dropped out of school altogether, finding a low-paying, low-skilled and dead-end job more valuable to them than their high school education.

We organized our comments in a summary fashion in the prepared statement and I would like to briefly go over those comments and respond to any questions you may have.

In the area of financial barriers, I think that this is made quite clear by the concerns of representatives such as Mr. Obey, who recently expressed the concern of one of his constituents being unable to get a basic grant. I know that you and I discussed this at some length along with other members of the higher education community.

This particular person has an income of $1[illegible],000 and 5 children, was not eligible for a basic grant and, I think, was justifiably upset at the inability to get such an award. I think the notion that such a person may have been eligible for other types of student assistance is clear here, but I think this case shows the financial barriers families are facing in attempting to finance a college education, with an average cost of $3,300 for dependent students. This is quite a large share which families in moderate income ranges are expected to pay.

In that light we would like to make a few comments about the basic grants program, the use of loans and the college work/study program. These comments, which address the problem of financial barriers, attempts to provide both specific and broad recommendations intended to meet the financial needs of poor- and moderate-income students, without forcing students to amass large loan debts.

In regard to basic grants, we feel it is important to reaffirm the commitment made to the basic grants program as the cornerstone of student Federal financial aid programs. This is particularly important in light of the recent difficulties we are having in getting full funding for the recently enacted $1,800 maximum ceiling for basic grants.

We have three recommendations to make in line with the notion that this commitment should be reaffirmed.

The first is that the program should be made a full entitlement, not subject to the annual vagaries of appropriations and budget priorities of succeeding administrations.

The second is that your committee, Mr. Ford, should take a look at the relationship between increasing college costs and inflation in the cost of living and the aid provided for by the basic grant program. It is important to preserve stability in the presence of total costs which aid provided by basic grant represents.

And the third is attempting to address the concerns of representatives such as David Obey who, I think, certainly represents the concerns of a number of moderate income families and students; eligibility for middle income students should be broadened. This must never occur, however, at the expense of maintaining adequate levels of aid for some students. Attempts to make trade-offs between the two are unconscionable efforts to divide.

In relation to loans, we certainly recognize the hard work that the committee put in over the last 2 years, giving all of us headaches I might add, guaranteed student loan amendments of 1976. However, we raise one urgent caution: Congress should be very careful about overextending the use of loans to students, resulting in what really amounts to an educational mortgage for students as they begin to graduate with debts of $10,000 and $15,000. In this light, we feel it important for you to ask CBO and the Office of Education to annually monitor the indebtedness of graduates, so that you have some hard and fast measure of exactly where we are in student indebtedness with each new class of graduates.

In regard to the college work/study program, we have a major program recommendation to offer for discussion. This committee should consider authorizing a massive college work/study program which would greatly expand on work and educational opportunities for students as strategy for financial aid. Such a program, offering significant aid through earned wages, would provide students with the option of working rather than taking out a loan to finance their education. It also begins to get at improved relations between schools and employers and work sites. Such improved relations could only help the transition between school and work. We are certainly experiencing difficulties there, as it becomes clear that college graduates have increasingly hard times finding a job.

I think there are a lot of details about such a work/study program that need to be worked out and discussed. The payment of prevailing wages, rather than subminimum wages as currently allowed by the college work/study program; public service employment opportunities, as well as work in the private nonprofit and for profit sectors. Research intended for the NACCE indicates these kinds of relationships between institution and employer can indeed be very fruitful. I am enclosing the summary of findings and recommendations to the council with this testimony.

Another possible arrangement is building an analogy to the teacher corps which requires improving training for teacher education programs. Here, schools of teacher education are simply required to work together with local school districts. Just by putting those groups together, you somehow get a better chemistry in the training and quality of training programs for prospective teachers.

In expanding work and educational opportunities as part of a strategy for financial assistance, the subcommittee should work together with the Employment Opportunities Subcommittee in its reauthorization of CETA this year. It is very clear there will be greatly heightened relationships called for between schools and other educational institutions and employment programs. We have seen this in the youth employment CETA bill currently before Congress. In Mr. Sarasin's proposal, we have a job guarantee entitlement program attached for in-school youth, as incentive to keep youth in school, as well as to provide them with meaningful work experiences.

We have comments being prepared for the area of information barriers to students. Briefly, these fall into two areas, the notion of information available on student aid programs and information available to students about what kind of educational programs are available, however, Mr. Olson will address those comments in some detail. I will defer our oral remarks there to him.

The third area which we would like to call your attention to—again, this, like our comments on the college work/study program, we would urge this be given major consideration for a major program—and that is the area of disadvantaged students.

We currently have an array of programs, Trio Programs, Upward Bound, Talent Search—you are familiar with what those programs are—serving a paltry percentage of the eligible population, currently 3 to 7 percent. Even under full funding, at the increased authorization of 200 million recently enacted by the 1976 education amendments, those programs would only serve about 25 percent of the eligible popution and research done by the California State legislature and researchers at Harvard University indicates that increasing financial awards for disadvantaged students, students who have academic skills, deficiencies in high schools, or dropouts, really, it reaches a point of diminishing return and it will not increase enrollment and retention action of students in college.

What is needed here is supportive and counseling services very similar to those provided by the Trio Programs. We would urge a streamlining of those programs and actually will be getting back to you with proposed language in that area; but we would urge the committee to consider expanding those programs to provide comprehensively for all of the students in need, and the population there is numbered somewhere around 4 million as you count currently under Trio eligibility.

That is the extent of my remarks today verbally. We will be supplying you, Mr. Ford, with rather comprehensive documentation about the distribution of the student aid programs by family income, background and by educational background, and we hope that will be helpful in figuring programs that may exist in that first area of financial barriers and how technical adjustments can be made to the array of existing Federal financial aid programs.

We also will be supplying you with more detailed comments hopefully geared to specific legislative language and proposals.

[Prepared statements of Mr. Rosen follow:]

PREPARED STATEMENT OF DAVID ROSEN, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

My name is David Rosen, Legislative Director of the National Student Lobby. We will divide our comments in this panel into three sections, roughly 20 minutes each, trying to keep our comments brief, allowing for your questions in following up any of the issues we address.

The National Student Lobby welcomes this opportunity, Mr. Ford, to work with you as you take on this chairmanship of the Postsecondary Education Subcommittee, beginning its oversight of the administration of student financial aid programs. We take this opportunity to give a comprehensive view of the problems of student assisstance programs.

We start from the simple but broad principle from which student assistance should be conceived: no person should be denied access to postsecondary education for reason of social inequities. We wish to take the debate regarding student assistance beyond what is at this time a rather well established commitment in Congress to providing for the financial needs of students and prospective students.

Three problems face students and prospective students attempting to fulfill their postsecondary educational aspiration.

The first problem is financial barriers. With the array of existing student aid programs: Basic Grants, campus based programs, SSIG, veterans' programs, social security educational benefits, various grant, loan and scholarship programs, Congress has certainly spent a great deal of energy addressing these financial barriers to postsecondary education for students and their families.

The second area is one which is emerging in Congress' consciousness. That is the area of information regarding available financial aid from both the public and private sectors, as well as information regarding the types of educational programs and resources available at different types of institutions.

The third area of barriers is that experienced by educationally disadvantaged students. Students may have been tracked at an early age into low skills level general education programs, may have developed poor academic skills, received indequate (or no) career counseling. They may have dropped out of school altogether, finding a low paying low skilled and dead end job more valuable to them than their high school education.

We organized our comments in a summary fashion in the prepared statement, and I would like to briefly go over those comments and respond to any question you may have.

In the area of financial barriers, I think that this is made quite clear by the concerns of representatives such as Mr. Obey who recently expressed the concern of one of his constituents being unable to ge a Basic Grant. I know that you and I discussed this at some length, along with other members of the higher education community.

This particular person has an income of $14,000 and five children, was not eligible for a Basic Grant, and I think, was justifiably upset at the inability to get such an award. I think that children from such a family would be eligible for other forms of financial assistance is clear in this case. However, this case shows the kind of financial barriers families are facing in attempting to finance a college education, with an average cost of $3,300 for dependent students. This is quite a large share which families in moderate income ranges are expected to pay.

In that light we would like to make a few comments about the Basic Grant program, the use of loans and the College Work/Study program. These comments, which address the problem of financial barriers, attempt to provide both specific and broad recommendations intended to help meet the financial needs of poor and moderate income students, without forcing students to amass large loan debts.

In regard to Basic Grants, we feel it is important to reaffirm the commitment made to the Basic Grant program as the cornerstone of student Federal financial aid programs. This is particularly important in light of the recent difficulties we are having in getting full funding for the recently enacted $1,800 maximum ceiling for basic grants.

We have three recommendations to make in line with the notion that this commitment should be reaffirmed.

The first is that the program should be made a full entitlement, not subject to the annual vaguaries of appropriations and budget priorities of succeeding administrations.

The second is that your subcommittee, Mr. Ford, should take a look at the relationship between increasing college costs and inflation in the cost of living, and the aid provided for by the Basic Grant program. It is important to preserve stability in the percent of total costs represented by the aid provided by Basic Grants.

And the third attempts to address the concern of representatives such as Mr. Obey who, I think, represents the concerns of a number of moderate income families and students: eligibility for students from middle income families should be broadened. This must never occur, however, at the expense of maintaining adequate levels of aid for poor students. Attempts to make trade-offs between the two are unconscionable efforts to divide our citizenry into the poor and the "deserving."

With regard to loans, we certainly recognize the hard work that the committee put in over the last two years, giving all of us headaches, I might add, for the Guaranteed Student Loan Amendments of 1976. However, we raise one urgent caution: Congress should be very careful about overextending the use of loans to students, resulting in what amounts to an educational mortgage for students as they begin to graduate with debts of $10,000 and $15,000. In that light, we feel it important for you to ask CBO and the Office of Education to annually monitor the indebtedness of graduates, so that you have some hard and fast measure of exactly where we are in student indebtedness with each new class of graduates.

We have a major program recommendation to offer for discussion regarding the College Work/Study program. This committee should consider authorizing a massive College Work/Study program which you greatly expand on work and educational opportunities for students as a strategy for financial aid. Such a program, offering significant aid through earned wages ($1,000 to $2,000 work/study grants) would provide students with the option of working rather than taking out a loan to finance their education. It also begins to get at improved relations between schools and employers and work sites. Such improved relations could only help the transition between school and work. We are certainly experiencing difficulties there, as it becomes clear that college graduates have increasingly hard times finding a job.

I think a lot of details for such a comprehensive work/study program need to be worked out and discussed: the payment of prevailing wages rather than subminimum wages, as currently allowed by the College Work/Study program; various matching formulas for different employment sectors; public service employment opportunities, as well as work in the private nonprofit and for-profit sectors. Research conducted for the National Advisory Council for Career Education indicates these kinds of relationships between institutions and employers can indeed be very fruitful. I am enclosing the summary of findings and recommendations to the Council with this testimony.

Another possible arrangement is building an analogy to the Teacher Corps, which requires improving training for teacher education programs. Here, schools of teacher education are simply required to work together with local school districts. Just by putting these groups together, you somehow get a better chemistry in the training and quality of training programs for prospective teachers.

Expanding work and education opportunities as part of a strategy for financial assistance, this subcommittee should work together with the Employment Opportunities Subcommittee in its reauthorization of CETA this year. It is very clear there will be greatly heightened relationships called for between schools and other educational institutions and employment programs. We have seen this in the youth employment CETA bill currently before Congress. In Mr. Sarasin's proposal, we have a job guarantee entitlement program attached for in-school youth, as an incentive to keep youth in school, as well as to provide them with meaningful work experiences.

We have comments being prepared for the area of information barriers to students. These fall into two categories: first, the notion of information regarding available forms of student financial assistance, both public (Federal and state) and private; second, information available to students about what kinds of educational programs are available.

In the first area, we endorse the concept of a national student aid data bank, as proposed by Mr. Biaggi. In the second, information systems such as that run by the Southeastern Michigan League of Community Colleges (SEMLCC) provide excellent models for matching the needs of students, employers and educators in planning educational programs, finding desired employment matched to training, and locating trained personnel for specific job openings. The eight Occupational Information Systems demonstration projects conducted by the Department of Labor provide valuable experience in designing statewide programs of occupational information which could be used to design statewide information systems for educational and employment opportunities.

One strategy or mechanism which this subcommittee approved in the 1976 Education Amendments is the Educational Information Centers. Working together with the provisions of Sec. 493, the Student Consumer Information provisions, the EIC's should prove a valuable vehicle for states to provide quality information regarding both available Federal and state student financial aid and available educational programs suiting a variety of needs. To the extent feasible, this subcommittee should work for an adequate demonstration appropriation for the Education Information Centers.

The third area is that of the disadvantaged student. Like our comments on the College Work/Study program, we would urge this be given major consideration as a comprehensive program sufficient to meet the demonstrated national need.

Research done by the California state legislature and Harvard University shows that for about 15% of our high school population, student financial aid programs will make no difference in a student's decision *to apply* to college. Thus, for these students, *financial aid makes no difference in providing access to postsecondary education*. For this group of students, supportive services—outreach, counseling, skills instruction not provided in high school—are desperately needed to provide a measure of educational opportunity, or access to postsecondary education.

We currently have an array of programs, the Trio programs, or Special Programs for Students from Disadvantaged Backgrounds: Talent Search, Upward Bound, Special Services, Educational Opportunity Centers, and newly created by the 1976 Education Amendments, Service Learning Centers and a Training Authority. These programs currently serve a paltry percentage of the eligible population, about 3 to 7 percent. The research I have referred to clearly demonstrates the need for providing more than financial aid for this eligible population. That financial aid alone for such students reaches a point of diminishing returns. Without supportive services, postsecondary enrollment, retention and graduation will not be increased for students who have academic skills deficiencies in high school, or who have dropped out.

What is needed here are supportive and counseling services very similar to those provided by the Trio programs. We call for a streamlining of those programs, eliminating the duplication of language, combining the best elements of the programs, and coming up with a single set of programs serving the needs of disadvantaged students in a comprehensive fashion, and not in the demonstration and token way we see these programs operating currently. We urge this subcommittee to expand those programs to provide comprehensively for all of of the students in need, and the population is numbered around four million, as counted currently under Trio eligibility standards.

That is the extent of my remarks today. We will be supplying you, Mr. Ford, with rather comprehensive documentation of the distribution concerning the effect of student financial aid programs on students by income and educational background. We hope that this information will be helpful in understanding how programs operate in that first area of financial barriers, and how technical adjustments can be made to the array of existing Federal financial aid programs.

We will continue to work with you, supplying more detailed comments and specific legislative language or proposals as timely.

SUMMARY OF STATEMENT BY DAVID ROSEN, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

(This is a summary statement of comments to be entered for the record by the National Student Lobby. A full statement, supporting documentation and specific legislation recommendations will be entered for the record.)

The underlying principle of federal student assistance programs:

No person shall be denied access to postsecondary education for reasons of social inequities. These inequities are manifested primarily as:

1. Financial barriers for students and their families to a postsecondary education of their choice

2. Inaccurate and incomplete information regarding available financial aids, public and private, and regarding available educational resources, programs and institutions

3. Unmet needs of educationally disadvantaged students for supportive services; outreach and recruitment, skills training, academic and personal counseling, guidance for career planning

Because barriers to equal educational opportunity arise from these diverse problems, a broader conception than currently used of "student assistance" is needed if these barriers are to be removed. Such a broad conception for student assistance programs should provide for programs which address the problems cited above.

The National Student Lobby proposes the following avenues of inquiry, principles, changes for existing programs and new programs as a strategy aimed at reducing, hopefully eliminating those barriers which prevent our citizens from pursuing their educational aspirations.

FINANCIAL BARRIERS

1. The commitment to the Basic Grant program as the cornerstone of federal student financial assistance programs must be reaffirmed.

Recent data from the U.S. Office of Education indicates that with the growth of the Basic Grant program to its current level, the net cost of college, after discounting family contribution and grant aid received, has been roughly equalized for low, moderate and middle income families (up to incomes of $20,000). Prior to Basic Grants, low income families faced much higher burdens in attempting to finance a college education for their children. This is an important milestone indicating that the Basic Grant program has virtually fulfilled its original purpose of equalizing financial access to postsecondary education for the needy.

Recommendations

A. Basic Grants should be made a full entitlement program, not subject to shifts in budget priorities of succeeding Administrations.

B. An escalator clause should be included in the program, adjusting maximum allowable awards in line with inflationary increases in the cost of college, and the cost of living.

C. Eligibility should be broadened, to the extent feasible, to include more moderate and middle income students.

2. Congress should insure that student loans are used only as an aid of last resort. The use of loans should be carefully limited, so that students are not forced to mortgage their education by creating a longstanding debt.

Recommendation

Congress should mandate EO/CBO to annually monitor the indebtedness of graduates, to help keep the loan burden on students in check.

3. A massive new College Work/Study program should be authorized, utilizing public service employment, as well as private non-profit and for-profit work placements. Wages should be paid at prevailing rates.

Postsecondary institutions and employers should be encouraged to develop cooperative arrangements to plan, supervise and evaluate student participation in such programs. (This could be modelled after, for example, the Teacher Corps, which *requires* teacher colleges to work with local school districts in developing better teacher training programs.)

The Postsecondary Education Subcommittee should work in cooperation with the Employment Opportunities Subcommittee to develop this program together with CETA as it is reauthorized this year. It is clear that the new CETA legislation will place heavy emphasis on education, training and relations with schools. The school-based, job guaranty provisions in the CETA youth employment bill currently before Congress is but one indication of the increased importance CETA will place on improved relations between schools and employment and training programs.

BENEFITS

Such a comprehensive program, serving as many as 2 million students, will:

A. Encourage institutions to offer diversified learning opportunities for students, more closely matching career aspirations with educational pursuits.

B. Help ease the transition from school to work for many graduates.

C. Provide students *the option* (over loans) to work— at educationally relevant employment and for a fair wage—to help pay for college.

D. Offer new possibilities for keeping unemployment down, particularly among young adults, and for increasing productivity in the service sector of economy.

INFORMATION BARRIERS

National Student Aid Data Bank, similar to the proposal of Mr. Biaggi (D, NY), HR 9195, (94th Congress, 1st session).

Comprehensive information systems on available financial aid, public and private, reaching all high schools and other locations: community centers, public libraries.

(Further recommendations on information needs to be submitted.)

NEEDS OF EDUCATIONAL DISADVANTAGED STUDENTS

The Special Programs for Disadvantaged Students (Trio) should be simplified, eliminating potential duplication of services, and expanded to a comprehensive program providing supportive services to the educationally disadvantaged.

The programs would provade supportive services to *all* those in need.

As a rough estimate, there are 4 million students who are eligible for services under the Special Programs for the Disadvantaged Student (Trio), yet as of Academic Year 1976–77, a mere 3–7% of that population was served. Even at full funding under the newly increased authorization of $200 million for Trio, these programs will probably serve no more than 25% of the eligible population. This percentage does not reflect high school drop-outs, who greatly increase the number of prospective students in need of such supportive educational services. As Fuller and Jackson document in separate studies, for many of these students, financial aid is not enough to ensure access to college. They will need academic counseling, skills building courses, guidance in selecting a college, filling out financial aid forms, planning for a career.

Recommendations

I. Upward Bound, Talent Search, Special Services and Educational Opportunity Centers should be retained similar to their current form. Matching grants may be appropriate for the expanded, comprehensive programs.

2. Service Learning Centers should be collapsed into Special Services programs, preserving the matching concept (at a percentage to be worked out), and preserving the limited eligibility of non-low income students.

[Additional information submitted by the National Student Lobby follows:]

NATIONAL STUDENT LOBBY July 1977

Bibliography of Data Sources for

Federal Student Financial Assistance Programs and Related Information

I Distribution of Student Financial Aid by Student Characteristics

1. Congressional Budget Office, Richard Wabnick, February 1977
Postsecondary Education: The Current Federal Role and Alternative Approaches available through the Congressional Budget Office

This rather comprehensive study breaks down all the Title IV student assistance programs and Social Security benefits by family income background. It shows total outlays for all higher education programs including Student Financial Aid, Institutional Assistance, Veteran's and Social Security Benefits, Research Grants and projects Tax Expenditures. It shows the disbursement of these funds by type and control of the recipient institution. It has data on attendance, enrollment and retention of students by family income background. It shows the shifts in enrollment from 1970 to 1975 by type and control of college and by family income background. It shows the shifts in the cost of college from 1967 to 1975 and its percentage of family income. It sugests alternative funding policies for federal assistance to higher education.
Family Income Divisions: 0-7,500, 7,500-10,000, 10,000-15,000, 15,000-20,000, 20,000 and above and independent students

2. Division of Basic Grants, December 1976
End of Year Report available through the Office of Education

This reports on the first three years of operation of the Basic Grant program, academic years 1973-74 through 1975-76. It shows the distribution of qualified applicants by family income background and by State. It discusses the criteria for eligibility and the treatment of Veteran's and Social Security benefits, assets, family size offsets and independant students.
Family Income Divisions: 0-3,000, 3,000-6,000, 6,000-9,000, 9,000-12,000, 12,000 and above and independent students.

3. Program Support Branch, Division of Student Financial Aid, U.S.O.E.
May 1975 and later reports forthcoming
Fiscal Operations Reports available through O.E. D.S.F.A.

This reports the number of students aided and amount of funds disbursed to students in the campus-based programs, SEOG, NDSL and CWS, by family income background and by type and control of college.
Family Income Divisions: 0-6,000, 6,000-9,000, 9,000-12,000, 12,000 and above, independent students and graduate students.

4. Office of Planning, Budgeting and Evaluation, Alex Ratnofsky, March 1977
Estimates of BEOG awards under a $1400 and $1800 maximum award ceiling
available through O.E. O.P.B.E.

This is an estimate of the number of grantees and the level of awards to all eligible 1976-1977 postsecondary students under a $1400 and an $1800 maximum award ceiling in the Basic Grant program broken down by family income background and by cost of college. It estimates the average family contribution for each of the family income categories.
Family Income Divisions: 0-7,320, 7320-10980, 10,981-14640, 14,641-18300, 18301+
Cost of College Divisions: 0-2300, 2301-3,300, 3,301+

5. The Institute for Demographic and Economic Studies, Inc., funded by
O.E. O.P.B.E. contract # 300-75-0382, preliminary data
Studies on the Impact of Student Financial Aid Programs, Study B: Impact of Student Aid and Labor Market Conditions on Access to Postsecondary Education available through O.E. O.P.B.E.

This study shows attendance by family income background, cost of college, type and control of college, race, sex and ability groups. It shows drop-out rates by type of college. It shows the distribution of 1974 high school graduates currently of ever engaged in postsecondary education by family income background and type of institution. It shows the percentage of total costs of college paid by parental contribution, grants, loans and work by family income background and by cost of college. It compares the adjusted net price of college by real parental income and cost of college for 1973 and 1975.
Family Income Divisions: 0-6,000, 6,000-10,000, 10,000-15,000, 15,000-20,000, 20,000-30,000, 30,000 and above
Cost of College Divisions: 0-1,500, 1,500-2,000, 2,000-2,500, 2,500-3,000, 3,000+

6. Bureau of Planning and Evaluation, February 1977
Factbook: Bureau of Postsecondary Education Summary of Program Information through Fiscal Year 1976 available through O.E. B.P.E.

Presents figures for recipients of funds within the Bureau of Postsecondary Education. These programs were put under the Bureau of Student Financial Assistance in the 1977 reorganization. The Factbook documents authorizations, appropriations, and alocations of the programs in the Bureau of Student Financial Assistance for fiscal years 1971-1976. It shows the disbursement of funds by racial and ethnic groups and by family income background.
Family Income Divisions: 0-3,000, 3,000-6,000, 6,000-9,000, 9,000+ for the TRIO programs, 0-6,000, 6,000-9,000, 9,000-12,000, 12,000+ for the campus-based programs, 0-6,000, 6,000-9,000, 9,000-12,000, 12,000-15,000, 15,000-20,000, 20,000+ for the Basic Grant program

7. Higher Education Research Institution, Helen S. Astin, October 1976
The 1975 Survey of First-time, Full-time, Freshmen available through O.E. O.P.B.E. and the American Council on Education

This reports the sources used to meet the cost of college by type, control and cost of college, race, sex and family income background. It analyses enrollment by type, control and cost of college, race, sex and family income background.
Family Income Divisions: 0-6,000, 6,000-10,000, 10,000-15,000, 15,000-20,000, 20,000-30,000, 30,000 and above
Cost of College Divisions: 0-1,500, 1,500-2,000, 2,000-2,500, 2,500-3,000, 3,000+

The raw data from the HERI study has been translated into a number of issue papers by the American Council on Education. These papers include: "Finances" This shows how the cost of college is met from different kinds of resources for public and private institutions. "Who Goes Where and How" This shows attendance by income group and institution cost. It also shows sources of support by family income background. "Access and Choice Issues" This shows enrollment in different types of institutions by race and family income background.

8. American Council on Education, Frank Atelsek and Irene Gomberg, Dec. 1975
Student Assistance: Participants and Programs 1974-1975 available through the American Council on Education .

This is a survey of administrators at institutions which shows the disbursement of financial aid in the Title IV programs by family income background, race and sex, an type and control of college. A similar survey was done for academic year 1976-1977. Preliminary data is available now and the full study should be available soon.
Family Income Divisions: 0-7,500, 7,500-12,000, 12,000 and above

9. Congressional Research Service, bill Sanda, May 25, 1977
Selected Statistics Concerning Federal Student Aid Programs available through CRS, Library of Congress

This gives a short discription of each of the Title IV programs and Veteran's and Social Security benefits. It compares 1974-75 and preliminary 1976-77 data from the ACE survey of institutions.

10. American Council on Education, Pat Smith and Cathy Henderson, May 1977
Federal Student Aid: Who Receives It and How Is It Packaged available through the American Council on Education, Policy Analysis Service

Taking data from ACE's American Freshman National Norms Survey, this study shows how many students receive different combinations of federal financial aid, and the median family income of the students receiving these packages of aid. This information is broken down by public and private institutions for academic years 1974-1975 through 1976-1977.

11. Social Security Administration, November 1976
Characteristics of Student Old-age, Survivors and Disability Insurance Beneficiaries in 1973: An Overview available through H.E.W. S.S.A.

This study has alot of discriptive information about the age, sex, race, educational background and orientation of the recipients. It shows the financial needs of recipients, family income background and how benefits and student's work helps to meet the cost of college.
Family Income Divisions: $1,000 increments for 0-10,000, 10,000-15,000, 15,000+

12. American Council on Education, [illegible] [illegible] and [illegible] [illegible]
Characteristics of 1973 [illegible] receiving benefits from the Social Security [illegible] Program ; draft copy is available from the American Council on Education. It should be published soon.

This is an update of the above Social Security study that analyses the characteristics of Social Security student beneficiaries along similar lines as that of the earlier study.

13. Congressional Budget Office, Alfred Fitt, May 1977
Social Security Benefits for Students available through CBO

This gives a legislative history of the program and discusses current funding problems. It shows how benefits are calculated and how students from different family income backgrounds are treated under that calculation formula. It proposes alternative ways of disbursing monies to Social Security student beneficiaries.

14. College Entrance Examination Board, 1977
Student Loans: Problems and Policy Alternatives available through CEEB

It gives a general overview of the issues in federal student loan programs. It discusses the possible new directions for policy in this area.

II The Impact of Financial Aid

1. Harvard University Graduate School of Education for O.E. O.P.B.E. by Gregory Jackson, January 1977 Financial Aid and Student Enrollment available through the Office of Planning, Budgeting and Evaluation

This weighs the relative influences of socio-economic background, academic achievement, personal aspirations along with financial aid in student's decisions of where to apply and whether to attend postsecondary education.

2. Stanford Research Institute, Daryl Carlson, November 1975
A Flow of Funds Model for Assessing the Impact of Alternative Student Aid Programs available through NIE Educational Research Information Center

This offers a statistical model for studying financial aid. It has data on packaging types of financial aid by type and control of college, family income background, and financial aid officer's preferences. It compares need to disbursement of aid and enrollment to aid induced changes in the price of postsecondary education.

3. California Legislature, Bruce Fuller, RESEARCH IN HIGHER EDUCATION v. 5 pp. 27-38 Increasing student financial aid programs: a misdirected means of expanding access? available through Bruce Fuller, 1116 9th St. Rm. 34
Sacramento, CA 95814

This is a case study of Los Angeles City high school graduates which compares drop-out rates, academic performance and postsecondary education enrollment for high, middle and low family income students. It presents this information in an analysis of the non-financial bariers to postsecondary education attendance.

III Estimates of Unmet Financial Need

1. College Entrance Examination Board, March 1975
   Estimating the Unknown: The Unmet Financial Needs of 1975-76 College Students available through the Washington office of CEEB

This takes aggregate estimates of college costs and subtracts expected family contributions and financial aid disbursements to arrive at an aggregate estimate of unmet financial needs.

IV Achievement of Postsecondary Education

1. National Longitudinal Study on going reports available through the National Center for Education Statistics

This shows the attrition from postsecondary education of the high school class of 1972 by race, sex and family income background. It also shows the employment patterns of that high school graduating class.

2. Alexander W. Astin, Preventing Students from Dropping Out 1975
   Jossey-Bass Publishers San Francisco and Washington

This details the influences which affect persistence in postsecondary education. Chapter three discusses the impact of various types of financial aid.

NATIONAL STUDENT LOBBY

PERCENTAGE OF TOTAL COLLEGE COSTS FROM SOURCES OF SUPPORT BY PARENTAL INCOME

	INCOME GROUPS					
SOURCE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
Parents or Family	16.7	23.3	35.2	44.4	57.6	73.4
Combined Grant	44.6	33.8	19.1	12.3	7.3	3.3
BEOG	30.5	19.7	7.7	3.4	1.8	0.8
SEOG	3.4	2.5	1.3	0.6	0.3	0.1
Loc., Priv. Scholarship	4.2	4.9	4.6	4.6	3.2	1.6
State Scholarships	6.5	6.7	5.5	3.7	2.0	0.8
Combined Work	15.0	18.4	19.9	19.4	16.7	11.1
College Work Study	5.0	4.2	2.7	1.7	1.1	0.3
*Part-time Work	8.4	12.0	15.0	15.4	13.6	9.4
Full-time Work	1.6	2.2	2.2	2.3	2.0	1.4
Combined Loan	7.3	8.7	9.6	8.7	5.4	1.9
NDSL	3.2	3.9	3.3	2.4	1.1	0.3
GSL	2.6	3.1	4.0	4.0	2.6	0.9
Other Loans	1.5	1.7	2.3	2.3	1.7	0.7
Soc. Sec. Benefits	5.3	3.7	1.8	1.0	0.8	0.6
Parent's GI Benefits	1.1	0.9	0.7	0.5	0.3	0.2
Student's GI Benefits	1.6	1.3	1.0	0.5	0.4	0.2
Spouse	0.4	0.4	0.4	0.4	0.3	0.2
Savings	6.4	8.8	11.6	11.8	10.4	7.7
Other	1.6	0.7	0.7	1.0	0.7	1.4

SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

* Part-time work includes summer jobs, but excludes College Work Study.

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S PARENTS OR FAMILY BY PARENTAL INCOME AND INSTITUTIONAL COSTS

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 332 (17.2)	488 (24.1)	774 (36.6)	1063 (45.8)	1482 (57.8)	2095 (70.3)
1,500-2,000	407 (12.6)	533 (15.9)	919 (26.4)	1293 (35.9)	1967 (52.7)	2980 (75.2)
2,000-2,500	613 (15.0)	781 (18.8)	1244 (29.3)	1710 (40.3)	2604 (58.8)	3787 (80.5)
2,500-3,000	840 (19.5)	910 (20.6)	1426 (31.2)	2005 (41.2)	3019 (59.8)	4204 (82.1)
3,000-4,000	743 (14.9)	856 (16.7)	1516 (29.0)	2041 (37.5)	3208 (58.9)	4329 (82.1)
ALL COSTS	359 (16.7)	511 (23.3	829 (35.2)	1154 (44.4)	1684 (57.6)	2645 (73.4)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM BASIC GRANTS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 567 (31.4)	375(19.9)	143 (7.6)	60 (3.1)	29 (1.5)	20 (1.0)
1,500-2,000	784 (28.4)	589 (19.7)	295 (9.3)	167 (5.3)	104 (3.3)	33 (1.0)
2,000-2,500	708 (20.4)	547 (15.1)	284 (7.6)	180 (5.0)	101 (2.7)	25 (0.8)
2,500-3,000	705 (20.0)	502 (12.3)	294 (7.7)	176 (4.1)	115 (2.5)	25 (0.5)
3,000-4,000	759 (17.4)	593 (14.0)	320 (7.3)	175 (4.2)	111 (2.4)	21 (0.4)
ALL COSTS	596 (30.5)	405 (19.7)	167 (7.7)	80 (3.4)	45 (1.8)	22 (0.8)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM

SUPPLEMENTAL GRANTS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 86 (3.2)	58 (2.2)	26 (1.0)	12 (0.4)	5 (0.2)	4 (0.1)
1,500-2,000	164 (4.8)	168 (4.5)	104 (2.8)	51 (1.3)	25 (0.6)	9 (0.2)
2,000-2,500	205 (4.4)	218 (4.8)	116 (2.6)	64 (1.3)	22 (0.5)	4 (0.1)
2,500-3,000	175 (3.5)	167 (3.2)	106 (2.1)	63 (1.2)	35 (0.6)	4 (0.5)
3,000-4,000	217 (4.1)	196 (3.8)	117 (2.2)	48 (0.8)	34 (0.5)	6 (0.1)
* ALL COSTS	101 (3.4)	77 (2.5)	39 (1.3)	20 (0.6)	9 (0.3	4 (0.1)

* SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM

COLLEGE WORK STUDY BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 112 (5.0)	89 (4.0)	56 (2.4)	33 (1.4)	15 (1.0)	9 (0.3)
1,500-2,000	174 (5.1)	174 (5.1)	134 (3.8)	108 (2.9)	62 (1.6)	12 (0.3)
2,000-2,500	213 (5.1)	224 (5.1)	166 (3.9)	128 (2.9)	62 (1.4)	10 (0.2)
2,500-3,000	250 (5.9)	222 (4.8)	208 (4.7)	162 (3.5)	90 (1.8)	(0.3)
3,000-4,000	289 (6.1)	297 (6.1)	222 (4.6)	158 (3.1)	108 (1.9)	13 (0.2)
ALL COSTS	125 (5.0)	106 (4.2)	72 (2.7)	50 (1.7)	25 (1.1)	10 (0.3)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM NATIONAL DIRECT STUDENT LOANS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	69 (2.7)	84 (3.3)	67 (2.6)	55 (1.9)	26 (0.9)	8 (0.2)
1,500-2,000	186 (5.0)	226 (6.3)	179 (4.8)	160 (4.2)	82 (2.0)	20 (0.5)
2,000-2,500	353 (7.9)	348 (8.2)	310 (7.1)	228 (5.1)	97 (2.0)	18 (0.3)
2,500-3,000	301 (6.6)	300 (6.5)	245 (5.1)	201 (4.0)	94 (1.8)	16 (0.3)
3,000-4,000	410 (8.7)	489 (10.4)	407 (8.0)	274 (5.2)	122 (2.3)	15 (0.3)
ALL COSTS	95 (3.2)	114 (3.9)	94 (3.3)	79 (2.4)	39 (1.1)	11 (0.3)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM GUARENTEED STUDENT LOANS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	60 (2.1)	69 (2.5)	89 (3.3)	93 (3.4)	63 (2.0)	24 (0.7)
1,500-2,000	248 (6.1)	290 (7.6)	381 (9.4)	315 (8.4)	249 (6.1)	68 (1.7)
2,000-2,500	191 (4.4)	216 (4.8)	252 (5.7)	242 (5.5)	165 (3.5)	56 (1.1)
2.500-3,000	222 (4.9)	251 (6.0)	280 (6.2)	291 (4.9)	214 (4.1)	68 (1.2)
3,000-4,000	194 (3.5)	209 (4.0)	271 (5.0)	311 (5.9)	297 (4.9)	79 (1.2)
ALL COSTS	86 (2.6)	102 (3.1)	128 (4.0)	128 (4.0)	36 (2.6)	38 (0.9)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM OTHER LOANS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 40 (1.4)	43 (1.6)	57 (2.2)	57 (2.1)	47 (1.6)	23 (0.7)
1,500-2,000	65 (1.8)	74 (2.0)	88 (2.5)	126 (3.2)	88 (2.2)	38 (0.9)
2,000-2,300	87 (2.2)	85 (2.0)	117 (2.7)	130 (2.9)	102 (2.2)	42 (0.7)
2,500-3,000	109 (2.1)	120 (2.7)	127 (2.8)	139 (2.8)	115 (2.2)	52 (0.9)
3,000-4,000	134 (3.1)	119 (2.0)	121 (2.2)	134 (2.5)	159 (2.7)	67 (1.0)
ALL COSTS	48 (1.5)	50 (1.7)	64 (2.3)	70 (2.3)	58 (1.7)	31 (0.7)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM
LOCAL AND PRIVATE SCHOLARSHIPS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-5,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000and above
$ 0-1,500	$ 85 (3.8)	92 (4.4)	81 (3.9)	77 (3.5)	56 (2.5)	37 (1.5)
1,500-2,000	185 (4.7)	208 (5.9)	232 (6.5)	232 (6.3)	195 (5.1)	86 (2.1)
2,000-2,500	423 (9.3)	404 (8.9)	441 (9.9)	383 (8.8)	272 (6.1)	75 (1.7)
2,500-3,000	564 (10.6)	590 (11.4)	573 (10.9)	548 (10.2)	363 (6.7)	98 (1.9)
3,000-4,000	601 (10.2)	702 (12.2)	778 (13.2)	802 (13.5)	339 (7.0)	139 (2.4)
ALL COSTS	117 (4.2)	130 (4.9)	120 (4.6)	128 (4.6)	99 (3.2)	55 (1.6)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time,freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM
STATE SCHOLARSHIPS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 130 (5.3)	128 (5.6)	96 (4.4)	64 (2.9)	39 (1.7)	18 (0.9)
1,500-2,000	448 (12.9)	440 (12.9)	399 (11.9)	287 (8.4)	135 (3.9)	34 (0.8)
2,000-2,500	564 (14.1)	525 (13.4)	435 (10.8)	307 (7.7)	128 (3.2)	25 (0.6)
2,500-3,000	521 (10.9)	468 (9.7)	380 (7.8)	323 (6.5)	155 (3.0)	35 (0.7)
3,000-4,000	903 (17.3)	767 (14.8)	601 (12.1)	368 (2.9)	170 (2.9)	23 (0.5)
ALL COSTS	185 (6.5)	178 (6.7)	147 (5.5)	106 (3.7)	59 (2.0)	19 (0.8)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshmen in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S PART-TIME WORK BY PARENTAL INCOME AND INSTITUTIONAL COSTS+

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 176 (8.8)	242 (12.7)	305 (16.1)	327 (16.6	327 (14.7)	287 (11.1)
1,500-2,000	216 (6.5)	282 (8.1)	356 (10.0)	391 (10.9)	384 (10.4)	297 (7.8)
2,000-2,500	225 (5.4)	260 (6.9)	341 (8.4)	358 (8.7)	364 (8.6)	272 (6.0)
2,500-3,000	235 (5.5)	331 (8.0)	345 (8.1)	416 (9.4)	383 (7.7)	266 (5.4)
3,000-4,000	301 (7.3)	314 (6.7)	356 (7.3)	437 (8.4)	404 (7.5)	268 (5.0)
ALL COSTS	183 (8.4)	249 (12.0)	312 (15.0)	334 (15.4)	337 (13.6)	283 (9.4)

* SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

+ Part-time work includes summer jobs, but excludes College Work Study.

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM
STUDENT'S FULL-TIME WORK BY PARENTAL INCOME AND INSTITUTIONAL COSTS*

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 48 (1.7)	60 (2.3)	58 (2.4)	64 (2.6)	57 (2.2)	55 (1.9)
1,500-2,000	33 (1.1)	59 (1.5)	55 (1.3)	57 (1.4)	57 (1.2)	49 (0.8)
2,000-2,500	23 (0.5)	31 (0.8)	36 (0.8)	39 (0.9)	48 (1.1)	34 (0.6)
2,500-3,000	18 (0.4)	34 (1.5)	64 (1.6)	51 (1.0)	27 (0.6)	27 (0.4)
3,000-4,000	24 (0.5)	32 (0.5)	32 (0.6)	49 (1.0)	28 (0.5)	14 (0.3)
ALL COSTS	45 (1.6)	58 (2.2)	57 (2.2)	62 (2.3)	55 (2.0)	48 (1.4)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshmen in the Fall of 1975 for the American Council on Education's The American Freshmen: National Norms for the Fall of 1975

- Full-time work excludes summer jobs.

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S SOCIAL SECURITY BENEFITS BY PARENTAL INCOME AND INSTITUTIONAL COSTS

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 142 (5.6)	103 (3.9)	48 (1.9)	29 (1.0)	23 (0.8)	23 (0.7)
1,500-2,000	148 (3.7)	105 (2.6)	58 (1.4)	37 (1.0)	24 (0.6)	18 (0.4)
2,000-2,500	186 (3.7)	142 (3.1)	66 (1.3)	30 (0.7)	27 (0.5)	15 (0.3)
2,500-3,000	155 (3.0)	146 (2.9)	79 (1.6)	39 (0.8)	22 (0.4)	15 (0.3)
3,000-4,000	104 (1.9)	108 (1.9)	79 (1.3)	56 (1.0)	36 (0.6)	13 (0.2)
ALL COSTS	144 (5.3)	105 (3.7)	51 (1.8)	30 (1.0)	23 (0.8)	21 (0.6)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's *The American Freshman: National Norms for the Fall of 1975*

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM
PARENT'S GI BENEFITS BY PARENTAL INCOME AND INSTITUTIONAL COSTS

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	28 (1.2)	28 (1.0)	22 (0.7)	14 (0.5)	11 (0.3)	13 (0.3)
1,500-2,000	19 (0.5)	14 (0.4)	21 (0.5)	9 (0.2)	17 (0.4)	7 (0.1)
2,000-2,500	22 (0.3)	19 (0.3)	18 (0.4)	9 (0.2)	7 (0.2)	4 (0.1)
2,500-3,000	22 (0.4)	16 (0.3)	12 (0.2)	11 (0.2)	4 (0.1)	6 (0.1)
3,000-4,000	6 (0.1)	18 (0.3)	10 (0.2)	8 (0.1)	2 (0.0)	2 (0.0)
ALL COSTS	27 (1.1	26 (0.9)	21 (0.7)	13 (0.5)	11 (0.3)	10 (0.2)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM
STUDENT'S GI BENEFITS BY PARENTAL INCOME AND INSTITUTIONAL COSTS

COST OF COLLEGE	INCOME GROUPS $ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 40 (1.8)	41 (1.4)	30 (1.1)	21 (0.4)	13 (0.5)	13 (0.3)
1,500-2,000	11 (0.3)	16 (0.4)	19 (0.4)	13 (0.3)	10 (0.3)	1 (0.0)
2,000-2,500	10 (0.2)	30 (0.5)	17 (0.3)	7 (0.1)	4 (0.1)	2 (0.0)
2,500-3,000	1 (0.0)	32 (1.3)	12 (0.3)	1 (0.0)	1 (0.0)	1 (0.0)
3,000-4,000	2 (0.1)	12 (0.3)	1 (0.0)	6 (0.1)	4 (0.1)	0 (0.0)
ALL COSTS	35 (1.6)	39 (1.3)	28 (1.0)	19 (0.5)	12 (0.4)	9 (0.2

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM

STUDENT'S SPOUSE BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	13 (0.4)	14 (0.5)	8 (0.4)	8 (0.4)	9 (0.3)	13 (0.3)
1,500-2,000	7 (0.2)	14 (0.2)	15 (0.3)	7 (0.2)	9 (0.2)	6 (0.1)
2,000-2,500	7 (0.1)	4 (0.1)	4 (0.1)	6 (0.1)	4 (0.1)	8 (0.2)
2,500-3,000	1 (0.0)	2 (0.0)	7 (0.2)	3 (0.1)	1 (0.0)	3 (0.1)
3,000-4,000	0 (0.0)	2 (0.1)	0 (0.0)	12 (0.2)	0 (0.0)	1 (0.0)
ALL COSTS	12 (0.4)	13 (0.4)	8 (0.4)	8 (0.4)	8 (0.3)	10 (0.2)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshmen in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S SAVINGS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	152 (6.7)	197 (9.3)	273 (12.4)	291 (12.7)	290 (11.3)	268 (9.1)
1,500-2,000	150 (4.5)	216 (5.9)	283 (7.7)	318 (8.5)	324 (8.3)	261 (6.5)
2,000-2,500	229 (4.9)	260 (6.0)	319 (7.2)	323 (7.4)	330 (7.3)	251 (5.3)
2,500-3,000	200 (4.6)	280 (6.7)	334 (7.7)	342 (7.3)	348 (6.7)	243 (4.7)
3,000-4,000	140 (2.9)	218 (4.5)	308 (5.9)	303 (5.6)	315 (5.5)	223 (3.9)
ALL COSTS	155 (6.4)	202 (8.8)	278 (11.6)	294 (11.8)	298 (10.4	254 (7.7)

SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S LOANS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 169 (6.2)	196 (7.4)	213 (8.1)	205 (7.4)	136 (4.5)	55 (1.6)
1,500-2,000	499 (12.9)	590 (15.9)	648 (20.7)	601 (15.8)	419 (10.3)	126 (3.1)
2,000-2,500	631 (14.5)	649 (15.0)	679 (15.5)	600 (13.5)	364 (7.7)	116 (2.1)
2,500-3,000	632 (13.6)	671 (15.2)	652 (14.1)	631 (12.5)	423 (8.1)	NA (2.4)
3,000-4,000	758 (12.3)	817 (16.4)	799 (15.2)	719 (13.6)	578 (9.9)	161 (2.5)
ALL COSTS	227 (7.3)	263 (8.7)	285 (9.6)	277 (8.7)	192 (5.4)	80 (1.9)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM GRANTS AND SCHOLARSHIPS BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	868 (43.7)	653 (32.1)	346 (16.9)	213 (9.9)	129 (5.9)	79 (3.5)
1,500-2,000	1601 (50.8)	1405(43.0)	1030 (30.5)	737 (21.3)	359 (12.9)	162 (4.1)
2,000-2,500	1900 (48.2)	1694 (42.2)	1276 (30.9)	934 (22.8)	573 (12.5)	129 (3.2)
2,500-3,000	1963 (45.0)	1727 (36.6)	1353 (28.5)	1110 (22.7)	668 (12.8)	162 (3.2)
3,000-4,000	2477 (49.0)	2258 (44.8)	1616 (24.8)	1393 (25.7)	714 (10.8)	189 (3.4)
ALL COSTS	999 (44.6)	795 (33.8)	480 (19.1)	334 (12.3)	208 (7.3)	104 (3.3)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

NATIONAL STUDENT LOBBY

AMOUNT AND (PERCENTAGE) OF TOTAL COLLEGE COSTS FROM STUDENT'S WORK BY PARENTAL INCOME AND INSTITUTIONAL COST

	INCOME GROUPS					
COST OF COLLEGE	$ 0-6,000	6,000-10,000	10,000-15,000	15,000-20,000	20,000-30,000	30,000 and above
$ 0-1,500	$ 336 (15.5)	391 (19.0)	419 (20.9)	424 (20.6)	399 (17.9)	351 (13.3)
1,500-2,000	423 (12.7)	515 (14.7)	545 (15.1)	556 (15.2)	475 (13.2)	332 (8.9)
2,000-2,500	461 (11.0)	515 (12.8)	543 (13.1)	525 (12.5)	474 (11.1)	316 (6.8)
2,500-3,000	503 (11.8)	587 (14.3)	617 (14.4)	629 (13.9)	500 (10.1)	NA (6.1)
3,000-4,000	614 (13.9)	643 (13.3)	610 (12.5)	644 (12.5)	540 (9.9)	296 (5.5)
ALL COSTS	353 (15.0)	434 (18.4)	437 (19.9)	449 (19.4)	416 (16.7)	338 (11.1)

*SOURCE The Higher Education Research Institute survey of a selected sample of first-time, full-time, freshman in the Fall of 1975 for the American Council on Education's The American Freshman: National Norms for the Fall of 1975

Table VII

Adjusted Net Price by Parental Income and Institutional Cost in the Absence of BEOGP and SEOGP for First-time, Full-time Students in Fall 1975

Parental Income

Cost and Net Price	$0 - 6,000 ✱		$6,001 - 10,000		$10,001 - 15,000		$15,001 - 20,000 ✱		$20,001 - 30,000		30,000 or More	
	% TC	Amt	% TC	Amt	% TC	Amt	% TC	Amt	% TC	Amt	% TC	Amt
Cost: $0-1,500 Adjusted Net Price 1/	56.7	1,202	49.1	1,052	38.5	832	32.1	737	28.3	714	15.8	464
Cost: $1,501-2,000 Adjusted Net Price	58.9	1,962	55.1	1,897	45.7	1,636	39.5	1,431	18.5	1193 ~~808~~	12.1	567 479
Cost: $2,001-2,500 Adjusted Net Price	50.5	2,099	48.1	2,003	40.2	1,709	34.6	1,470	22.6	999	11.3	530
Cost: $2,500-3,000 Adjusted Net Price	47.9	2,120	45.3	2,027	38.6	1,772	33.0	1,611	22.7	1,157	10.2	525
Cost: $3,001-4,000 Adjusted Net Price	49.6	2,460	46.7	2,348	36.8	1,919	33.2	1,789	25.3	1,400	11.3	603

Source: Preliminary tabulations from studies on the Impact of Student Financial Aid, Higher Education Research Institute, Los Angeles, California Office of Planning, Budgeting, and Evaluation Contract #300-75-0382.

1/ NOTE: Adjusted price equals total cost minus the sum of Family Contribution and Grant Aid exclusive of BEOG's and SEOG's in dollars.

Table IV

Percentages and Amount of Total College Costs From Family Contribution and Nonreturnable Grant Aid Sources by Parental Income and Institutional Cost for First-time, Full-time Students in Fall 1975 and Calculated Net Price

Institutional Cost[1]	Parental Income													
	$0-6,000		$6,001-10,000		$10,001-15,000		$15,001-20,000		$20,001-30,000		$30,001 or more		Total	
	% TC	Amount	% TC	Amount	% TC	Amount	% TC	Amount	% TC	Amount	% TC	Amount	% TC	Amount
Inst. Cost = $0-1,300														
Total Cost[2]	100	$2,123	100	$2,143	100	$2,164	100	$2,294	100	$2,527	100	$2,838	100	$2,353
Grant Aid[3]	50.8	1,078	38.6	825	20.6	446	11.6	267	7.0	176	4.2	118	18.3	430
Family Resources[4]	23.4	496	32.6	699	49.2	1,055	59.4	1,362	70.3	1,781	80.9	2,377	56.3	1,325
Σ Grant Aid + Fam. Res.	73.4	1,574	71.1	1,524	69.8	1,501	71.0	1,629	77.4	1,957	85.1	2,401	74.6	1,755
Net Price[5]	25.9	549	28.9	619	30.6	663	29.0	665	22.6	570	14.9	437	25.4	598
Inst. Cost = $1,301-2,000														
Total Cost	100	3,335	100	3,444	100	3,582	100	3,627	100	3,776	100	3,960	100	3,646
Grant Aid	53.3	1,779	44.7	1,540	31.5	1,128	21.9	796	10.9	410	4.7	188	24.4	889
Family Resources	16.9	564	22.6	763	34.0	1,217	44.6	1,618	60.9	2,300	82.0	3,247	47.1	1,718
Σ Grant Aid + Fam. Res.	70.3	2,343	67.3	2,303	65.5	2,345	66.6	2,414	71.8	2,710	86.7	3,435	71.5	2,607
Net Price	29.8	994	33.1	1,140	34.5	1,237	33.4	1,213	28.2	1,066	13.3	525	28.5	1,039
Inst. Cost = $2,001-2,500														
Total Cost	100	4,153	100	4,168	100	4,253	100	4,245	100	4,425	100	4,697	100	4,416
Grant Aid	51.0	2,116	45.2	1,885	32.4	1,377	23.1	980	13.8	611	3.2	150	21.1	932
Family Resources	20.4	849	25.1	1,045	36.8	1,567	48.0	2,039	66.4	2,938	86.1	4,046	55.2	2,437
Σ Grant Aid + Fam. Res.	71.4	2,967	70.3	2,930	69.2	2,944	71.1	3,019	80.2	3,549	89.3	4,196	76.3	3,369
Net Price	28.6	1,186	29.7	1,238	30.8	1,309	28.9	1,226	19.8	876	10.7	501	23.7	1,047
Inst. Cost = $2,501-3,000														
Total Cost	100	4,424	100	4,471	100	4,595	100	4,878	100	5,097	100	5,130	100	4,925
Grant Aid	48.4	2,141	40.7	1,821	31.7	1,456	23.8	1,161	13.6	695	3.6	184	17.0	837
Family Resources	23.5	1,041	26.7	1,192	38.5	1,767	48.3	2,350	66.1	3,368	86.7	4,450	63.2	3,110
Σ Grant Aid + Fam. Res.	71.9	3,182	69.6	3,013	70.1	3,223	72.0	3,511	79.7	4,063	90.3	4,634	80.1	3,947
Net Price	28.1	1,242	30.4	1,358	29.9	1,372	28.0	1,367	20.3	1,034	9.7	496	19.9	978
Inst. Cost = $3,001-4,000														
Total Cost	100	4,959	100	5,029	100	5,212	100	5,395	100	5,535	100	5,333	100	5,325
Grant Aid	52.2	2,589	47.6	2,396	35.6	1,906	27.3	1,473	13.7	756	3.6	194	18.1	964
Family Resources	17.8	883	21.4	1,074	35.0	1,824	43.7	2,356	63.6	3,523	85.4	4,553	61.8	3,290
Σ Grant Aid + Fam. Res.	70.0	3,472	69.0	3,470	71.6	3,730	71.0	3,829	77.3	4,279	89.2	4,757	80.0	4,254
Net Price	30.0	1,487	31.0	1,559	28.4	1,482	29.0	1,566	22.7	1,256	10.8	576	20.0	1,071
All Institutional Cost														
Total Cost	100	2,369	100	2,414	100	2,459	100	2,617	100	2,903	100	3,521	100	2,732
Grant Aid	50.9	1,205	39.9	962	23.6	580	14.8	388	8.7	253	4.0	141	18.8	511
Family Resources	22.2	525	30.4	733	45.3	1,115	55.8	1,459	68.6	1,990	82.9	2,920	55.8	1,526
Σ Grant Aid + Fam. Res.	73.0	1,730	70.2	1,695	68.9	1,695	70.6	1,847	77.3	2,243	86.9	3,061	74.6	2,037
Net Price	27.0	639	29.8	719	31.1	764	29.4	770	22.7	660	13.1	460	25.4	694

Footnotes:

[1] Institutional Cost is tuition and fees from HEGIS.
[2] Total is the sum of all student expenses. All amounts listed are in dollars.
[3] Grant aid is composed of BEOG, SEOG, State aid, local and private scholarships, Veterans benefits, and social security dependents benefits.
[4] Family resources are the sum of parents' contribution, spouses' contribution, and savings.
[5] Net price is total expenses minus the sum of grant aid and family resources.

Source: Preliminary tabulations from studies on the Impact of Student Financial Aid, Higher Education Research Institute, Los Angeles, Calif. & Office of Planning, Budgeting and Evaluation Contract 300-75-0382.

Mr. FORD. Thank you, David.

We will proceed with the balance of the panel.

STATEMENT OF LARRY ZAGLANICZNY, COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS, WASHINGTON, D.C.

Mr. ZAGLANICZNY. I am Larry Zaglaniczny, national director of the National Coalition of Independent College and University Students, also know as COPUS.

The coalition is a nationwide organization representing students who attend independent colleges and universities.

I concur with much of what Mr. Rosen has said. I think we should take a look at the college work/study and the proposal he has put forward.

While I speak to you today as national director of our organization, in fairness to our membership, this paper that we have presented for you is not an official COPUS policy paper because, with final exams and the short notice of the hearings, they haven't had adequate time to fully review it. But many points we have stressed before in previous testimony before this committee and others and some of the ideas are new.

As a whole, especially for our independent sector students, the array of student financial aid programs are clearly inadequate and imbalanced. There is evidence of this fact from Members of Congress.

In "Supplemental Views" to the House Committee Report No. 94–1086, on the amendments of last year, six members, in arguing for a 1-year extension of the law, stated:

> There are a number of crucial problems in Federal support for higher education that still need to be addressed. Central among them is student aid where we have a collection of programs that have grown by accretion rather than following any carefully conceived plan. A further reexamination of student aid is needed to create a consistent and integrated Federal strategy to attain equal educational opportunity. Such a strategy would provide for assistance to students to attain access to not just a postsecondary education but to the postsecondary education that students' talents and interests lead them to choose.

The coalition strongly agrees with that statement and we believe these oversight hearings will be the first step to development of such a strategy for "crucial problems" which remain unaddressed.

We wish to turn the debate around rather in terms of the terminology facing us. Today's student aid rhetoric speaks of "access" and "choice" which in our view has developed a false dichotomy between the BEOG and other aid programs. The goal of all the postsecondary student aid programs must be one of providing access. The Coalition asks that the word "choice" be banished from the lexicon in the debate over educational opportunity and that "access" be defined to mean the opportunity to select a postsecondary institution that will best serve to educate the individual. We expand furher on this distinction in our prepared statement.

We will now comment on the various Title IV programs. In our opinion the BEOG is a very successful program. We with it to be funded at the maximum level. We have no structural recommendations for changes at this time. Our organization continued to favor retention of the half cost limitation.

The SEOG program has been so underfunded that we are wondering whether it would pass the ZBB test that it will be going through; and that is a shame because the program is a help to students, especially those going to higher cost institutions.

Let us get away from the thought that the SEOG is duplicative of the BOEG because in fact college freshmen in 1975—85 percent of the SEOG recipients did not receive a BOEG. It helps the middle class with 23.4 percent in fiscal year 1977 over SEOG grants going to families with incomes of $9,000 or more.

The college work student program is most popular with students and in Congress. Let's look at David's proposal. Let's look again at the idea of expanding it to a non-need basis. Let's look at using the private business sector in the program tying it more directly with the student's major.

The coalition is quite concerned with the administration's recommendations to virtually end the NDSL program by the elimination of its capital funding. In his statement before this subcommittee, Commissioner Boyer admitted only 150 out of 3,167 participating institutions have reached the stage where they no longer need further capital contributions.

We support the objective that the National Direct Student Loan program be self-supporting. But, it would be highly irresponsible for the administration to take a meat ax approach in cutting the program without regard to the impact on students. Certainly, a controlled and planned phaseout of the Federal NDSL capital contributions is a goal that should be accomplished.

In terms of the GSL program, we still must insist that grants, not loans, is the main vehicle for student aid.

There are other issues that are facing higher education communities at present.

We welcome the changes HEW has recently instituted in combining administrative responsibilities for student aid programs in one office. This bureaucratic reshuffling makes sense. It reflects the interdependent nature of student aid programs and will, we hope, encourage better coordination in their delivery.

Second, we applaud the OE adoption of the common form. As students, we are weary of filling out form after form to apply for aid. The common form will help cut the red tape for students and that is appreciated. Further, we compliment the Office of Education for its sensible compromise on the early admissions issue that is especially important for independent colleges and universities. The Coalition supports H.R. 6.

In terms of independent status students. We are concerned that the rules and regulations are going to be revised by the Office of Education and that will be to take out a lot of flexibility and hurt students who need to declare independent status for a variety of reasons. For example, there are occasions when a student's family will refuse to pay for his or her education because the student has decided to major in a subject of which the parents disapprove.

The Coalition is hopeful these hearings will spark a response within the Veterans Administration. The complex and intrusive regulations that they have instituted should be modified. Our organization certainly does not endorse fraud. Yet, the VA's actions are a very great threat to higher education's academic integrity, innovation, diversity and freedom. We join the call for an early resolution which will limit the VA's intrusion into academic affairs but allow them to carry out their responsibilities.

Veterans benefits should be looked at. They tend to channel students into lower cost institutions, denying access to a large sector of the higher education community. Parttime and life long learning. Perhaps we need programs to encourage students in these regards with over 40 percent of students going parttime and life long learning seemingly to be the wave of the future.

Graduate education. We agree with the University of Minnesota's president, C. Peter Magrath, in his statement to you last week on graduate education and research.

In this statement the Coalition of Independent College and University Students has presented our views on the state of Federal student aid. In speaking for independent students, we do not wish the subcommittee to misunderstand or misinterpret our philosophy. While working for independent sector students, COPUS believes in a balanced system of independent and public colleges to best meet the educational needs of this Nation's students. We believe that both sectors of education together constitute a system of healthy competition, as well as provide avenues for universal academic pursuit.

I have about 2 minutes remaining and I have an additional statement that I thought about and have finally decided yes, I will give it.

Mr. Chairman, in the time remaining I would like to further comment on the present situation in higher education funding. I have decided to read this statement so that I may be precise.

For students acros the Nation, it came as a great shock that the budget recommendations of the Carter administration were so disappointing for the fiscal year 1977 supplemental and the fiscal year 1978 budget. While we realize that the new administration did not have great leeway in changing the Ford recommendations, it is a shame the President has so soon forgotten the higher education platform plank he ran on. It reads:

> In higher education, our Party is strongly committed to extending postsecondary opportunities for students from low and middle income families, including older students and students who can attend only part time. The Basic Educational Opportunity Grants should be funded at the full payment schedule, and campus based programs of aid must be supported to provide a reasonable choice of institutions as well as access. With a coordinated and reliable system of grants, loans, and work study, we can relieve the crisis in costs that could shut all but the affluent out of our colleges and universities.

Let us look at the record now: The administration recommendation proposed, not full payment of an $1,800 BEOG, but less. Campus-based programs were not supported in the Carter administration's budget beyond the level of the last Ford budget. One campus-based program, the NDSL, was not supported at all, but was to be cut with no regard to the effects on students.

The talk in HEW, the Office of Education and around Washington is of tradeoffs. Let me suggest if dismal budgets for student aid continue to be administrative policy in future years, then we will be rejecting our commitment to educational opportunity. We will be closing the doors of our colleges to the poor and middle class for want of adequate student aid. And, if these students had been able to get a college education, they would have contributed to the Nation. They would have contributed to our national security, to our quest for peace, to our cultural and intellectual life, to solving our need for energy, to teaching us how to live with one another, to increasing job satisfactions and productivity. These students will not make these and countless other contributions to our Nation because they were unable to get a postsecondary education, because the Federal system of student financial aid was so inadequate. So, I respectfully submit that these are the real tradeoffs.

For the future of our country, we need the best possible student aid programs. Why not?

[Prepared statements of Larry Zaglaniczny follow:]

PREPARED STATEMENT OF THE COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS

Mr. Chairman and members of the Subcommittee. I am Lawrence S. Zaglaniczny, National Director of the Coalition of Independent College and University Students, also know as COPUS. The Coalition is a nationwide organization representing students who attend independent colleges and universities. Our primary concern is working for an adequate and balanced system of Federal student financial assistance so that students may attend the higher educational institution that best suits their needs, talents and aspirations. We seek Federal student aid programs that will allow needy students to select a college based on their ability to achieve and not based on their ability to pay.

Consequently, Mr. Chairman, we welcome this opportunity to comment on the Federal government's role in assisting students to receive an appropriate education beyond high school. We commend the Subcommittee for its sensitivity to the problems facing postsecondary education by scheduling these oversight hearings so soon after the adoption of the High Education Amendments of 1976.

While I speak to you today as National Director of our organization, I must add one caveat. Since these hearings were called on fairly short notice, coinciding with final exams and the end of the school year, our student constituency has not had the time to formally endorse this statement as an official COPUS policy paper. Many of the ideas and positions we have previously testified on, some of the recommendations are new and in fairness to our membership these issues should be more formally discussed by them.

In 1975, we testified before this Subcommittee and now we would like to restate our basic student aid policy. We feel that every student should have the right of full access to institutions of higher education. A policy that favors publicly-run institutions by placing severe limits on the amount of funds available to students attending independently-run schools would mean disaster in both educational and financial terms in the long run. In educational terms it would mean that many independent institutions and their special and distinctive characteristics, so much a part of the variety of our free society, would be drowned under the rising costs of instruction. In financial terms it would mean that in the end state governments would be forced to carry the educational burden for far more students. It seems clear to us that the increased costs that would eventually result from a policy of limiting the amount of grants to students at schools with higher costs would be far greater than the increases that would result from expanding that aid to the needed levels. Besides saving money in the long run, increased aid which we propose would help keep alive the independent colleges and universities that have made, and are still making, such a great contribution to this country.

As a whole, especially for our independent sector students, the array of student financial aid programs are clearly inadequate and imbalanced. There is evidence of this fact from Members of Congress. In Supplemental Views to the House Committee Report (No. 94–1086) on the Amendments of last year six Members, in arguing for a one year extension of the law stated "... There are a number of crucial problems in federal support for higher education that still need to be addressed. Central among these is student aid where we have a collection of programs that have grown by accretion rather than following any carefully conceived plan. A further reexamination of student aid is needed to create a consistent and integrated federal strategy to attain equal educational opportunity. Such a strategy would provide for assistance to students to attain access to not just postsecondary education but to the postsecondary education that students' talents and interests lead them to choose." The Coalition strongly agrees with that statement and we believe these oversight hearings will be the first step to development of such strategy for "crucial problems" which remain unaddressed.

As students, however, we must congratulate the Congress and the Executive for past efforts in providing students opportunities for further education. If it were not for a history of Federal student aid, then many, many students would not have been able to attend college. While thanks is in order, much more needs to be done to ensure access to higher education. At this point, we wish to comment on our definition of access and educational opportunity.

In opening debate on the Higher Education Amendments of 1976 Senator Hathaway remarked that there is an "... increasing dichotomy between Federal support for public versus private instituitons of higher education. While no bias has ever been intended in the Federal aid programs, I believe we are reaching a stage where the costs of attending private schools on the one hand, or publicly subsidized institutions on the other, are creating a prima facie case of public policy discrimination against the former under the current student aid programs—a situation the Government can continue to promote only at the peril of abandoning a large part of our Nation's intellectual heritage.

"I am convinced that if we continue to permit our ever-increasing student aid programs to channel low-income students into cheaper public colleges and universities, not only will we hasten the bankruptcy of many of our private liberal arts institutions, but we will also unwittingly be creating once again a system where some schools become educational ghettoes, while others are the province of only the rich." The Coalition exists to redress this public policy imbalance in the Federal student aid programs.

Today's student aid rhetoric speaks of "access" and "choice." The BEOG, for example, is to be the vehicle for "access" to higher education, while "choice" is to be provided through the more flexible campus-based programs, i.e. the grant programs SEOG and SSIG, the self-help CW/S program and the loan programs, NDSL and GSL. Unfortunately, the appropriations for the campus-based programs have not kept pace with the growing BEOG program. Thus, an imbalance has been created. Students do have access to a higher education program. But, they clearly do not have complete access to the higher educational program that may best suit their individual abilities and needs. Often those particular and diverse programs best suited to those students are offered by independent colleges and universities. The Coalition asks that the word "choice" be banished from the lexicon in the debate over educational opportunity and that "access" be defined to mean the opportunity to select a postsecondary institution that will best serve to educate the individual. As the Supplemental Views and as Senator Hathaway both point out, Federal student assistance programs have only partially fostered educational opportunities. The goal of a financial aid system must be to guarantee that educational needs, and not money, is the prime criterion for selection of a higher educational program.

Again, the Subcommittee should be aware in these hearings of our organization's belief that an imbalance has been created in the student aid programs leading to only partial access and partial educational opportunity. COPUS applauds the work and appreciates the opportunities created in the past. Yet, the work of the future must be to create more educational access.

Since we are writing of definitions, the Coalition also wishes to echo the comments last week of President Hardin of Drew University. Let us banish the word "private" from our dictionary in describing institutions that are, in fact, independent. Although privately funded, independent colleges and universities are educating students, just as the public sector does.

STUDENT AID—AN OVERVIEW

In the following comments we will react both in a general and specific fashion to the present system of Federal student financial assistance.

In our opinion, the most serious problem with the student aid programs is that they for the most part have been underfunded well below their authorization levels. This lack of full-funding has created two problems. First, as we have stated earlier, underfunding of the campus-based programs has created an imbalance that has lead to a reduction of access to the independent sector. Second, underfunding has not given us the chance to observe how the totality of aid programs interact to meet the goals and purposes for which they were enacted. Consequently, we are faced with a situation in which the lack of adequate appropriations in the Title IV programs has instituted an imbalance between the programs which reduces access and has resulted in our inability to test how well the system is designed to deliver aid and foster educational opportunity.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM (BEOG)

The Basic Educational Opportunity Grant program certainly is the keystone of the Federal government's effort to ensure access to postsecondary education. In our opinion, it is one of the most successful of the student aid programs. We think the increased participation rates since BEOGs inception is indicative of this fact. Further, Congressional appropriation levels have achieved full-funding in the recent past. For the future, we recommend that the BEOG program be funded at the $1,800 maximum. We recommend no structural changes in the program at this time. The Coalition is in favor of the retention of the one-half cost limitation.

SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT PROGRAM (SEOG)

For students in the independent sector, the underfunding in student aid programs has been most apparent in the SEOG program. The Supplemental Educational Opportunity Grant is simply that, a supplement. It has been argued that the SEOG program is not necessary because it duplicates the functioning of the BEOG. It is important to understand the fact that of college freshmen in 1975, 85% of SEOG recipients *did not* receive a BEOG grant. The program is designed to bridge the need gap between basic resources, such as a BEOG or parental contribution, and the high costs of higher education. Unfortunately, as college costs have increased, SEOG appropriations have failed to increase proportionately. Consequently, its effectiveness has diminished.

Even more so than the BEOG, the SEOG program is of particular help to the middle income, with 23.4% of the FY 1975 grants going to students with families with incomes of $9,000 or more.

The Coalition recommends the Supplemental Educational Opportunity Grant program be more richly funded to increase access to higher education. We propose the Subcommittee explore the possibility of redefining the SEOG program for channeling aid specifically for students who attend high cost institutions as others have recommended in the past.

COLLEGE WORK/STUDY

The College Work/Study program is one of the most popular programs of student aid, both in the Congress and among students. We would ask the Subcommittee to explore the expansion of this program to include students on a non-need basis, however, retaining priority funding for needy students. Also, it is worthwhile to examine the possibility of including the private business sector in the CW/S program, with special emphasis on providing work opportunities relevant to the student's academic major.

STATE STUDENT INCENTIVE GRANT PROGRAM (SSIG)

The State Student Incentive Grant program has successfully encouraged the states to contribute increasing amounts of aid to students. Again, for maximum effectiveness the program should be fully-funded. The SSIG has been of particular aid to middle-income families, with 45.1% of SSIG recipients coming from families with incomes of $9,000 or more. Clearly, the Federal/State partnership through the SSIG has functioned well in expanding access to higher education.

NATIONAL DIRECT STUDENT LOAN PROGRAM (NDSL)

The Coalition is quite concerned with the Administration's recommendations to virtually end the NDSL program by the elimination of its capital funding. In his statement before this Subcommittee, Commissioner Boyer admitted only 150 out of 3,167 participating institutions have reached the stage where they no longer need further capital contributions.

We support the objective that the National Direct Student Loan program be self-supporting. But, it would be highly irresponsible for the Administration to take a meat ax approach in cutting the program without regard to the impact on students. Certainly, a *controlled* and *planned* phaseout of the Federal NDSL capital contributions is a goal that should be accomplished.

GUARANTEED STUDENT LOAN PROGRAM (GSL)

We support the present Guaranteed Student Loan program with the proviso that there be a *reliance on grants as the main source of Federal student assistance, and not loans.* The Coalition recommends the Subcommittee look into the idea of a "National Student Loan Bank" since it appears the private banking sector is not going to increase the number of loans beyond today's level. Further, the idea is worth consideration since many students do not have access or have been denied access to student loans as this subcommittee is well aware.

In table I one can observe the various median family incomes for the various programs and combinations of aid programs. Median family incomes for the campus-based programs are significantly higher than those for just a BEOG or BEOG combination award. As the data indicates, the campus-based programs more specifically target middle income families.

OTHER ISSUES

In this section we will discuss some current concerns and areas of possible study.

Office of Education

We welcome the changes HEW has recently instituted in combining administrative responsibilities for student aid programs in one office. This bureaucratic reshuffling makes sense. It reflects the interdependent nature of student aid programs and will, we hope, encourage better coordination in their delivery.

Second, we applaud the OE adoption of the common form. As students, we are weary of filling out form after form to apply for aid. The common form will help cut the red tape for students and that is appreciated. Further, we compliment the Office of Education for its sensible compromise on the early admissions issue that is especially important for independent colleges and universities.

Bankruptcy

The Coalition supports H.R. 6 which will repeal the bankruptcy provisions of the Higher Education Amendments of 1976.

Independent Status Students

We are concerned with Commissioner Boyer's testimony that the Office of Education will be studying regulations redefining independent students. We oppose additional regulations beyond the present OE definition which we believe is adequate. Many students must declare themselves independent for a variety of pragmatic reasons including the fact that many real family economic disabilities will pass unrecognized by institutional formula analysis. In another example, there are occasions when a student's family will refuse to pay for his or her education because the student has decided to major in a subject of which the parent disapproves.

Veterans Administration

The Coalition is hopeful these hearings will spark a response within the Veterans Administration. The complex and intrusive regulations that they have instituted should be modified. Our organization certainly does not endorse fraud. Yet, the V.A.'s actions are a very great threat to higher education's academic integrity, innovation, diversity and freedom. We join the call for an early resolution which will limit the V.A.'s intrusion into academic affairs.

Next, the Subcommittee should look at the dollar level of veterans' benefits. The current system of inadequate benefits forces students to attend lower cost institutions, denying them access to many higher priced independent colleges. It is unfortunate that the level of benefits prevents students from attending the college that is best suited to their needs.

Part-time and Life-long Learning

The nature of the student population has changed drastically in the last decade with an increasing percentage of students attending school part-time. Additionally, increasing numbers of adults are continuing their postsecondary educations. Attention should be given by the Subcommittee to a program of encouragement of these developments, perhaps even a new assistance program.

Tuition Equalization

We recommend the Subcommittee reexamine the idea of some manner of a Federal program of tuition equalization to narrow the gap between the tuitions charged in the public sector and the independent. NCES statistics project average tuition and required fees rising in the public sector from a 1975–76 average of $513 to $612 in 1985–86; while in the independent sector showing a 1975–76 average of $2,333 rising to $2,840 in 1985–86. This trend indicates a rise in the average of $99 for public institutions and $507 for independents in this ten year period. Note: See Table II.

Graduate Education and Research

[We agree with the University of Minnesota's President, C. Peter Magrath, in his statement to you last week.] The Subcommittee should consider the state of graduate education and research in America. Without a national policy on graduate education and research, our efforts to be in the fore of cultural, scientific and technological progress are problematic.

Tuition Tax Credits

The Coalition recently testified before a House Budget Committee Task Force chaired by Mr. Simon of Illinois on the idea of Tuition Tax Credits. Our organization strongly opposes tuition tax credits. Such a proposal will upset the balance between public and independent higher education. It is unfair to certain categories of individuals by income level and need. It is not efficient in targeting aid to the middle class and others. It is too broadly based. It is inadequate relief for those in the independent sector. It may lead to increased tuition levels resulting in a reduction of access to higher education programs. We would be pleased to share with the committee our testimony against tuition tax credits.

Public and Independent Institutions For All Students

[In this statement the Coalition of Independent College and University Students has presented our views on the state of Federal student aid. In speaking for independent students, we do not wish the Subcommittee to misunderstand or misinterpret our philosophy. While working for independent sector students, COPUS believes in a balanced system of independent and public colleges to best meet the educational needs of this nation's students. We believe that both sectors of education together constitute a system of healthy competition, as well as provide avenues for universal academic pursuit. Also, a balanced system of independent vs. state-supported education provides a sound policy to meet rising inflationary costs and increased tax burdens. We believe it would be a fiscal and educational waste to not support students' access to this healthy balance of educational institutions.

Again, Mr. Chairman and members of the Subcommittee, we thank you for this opportunity to testify today and for your sensitivity to the needs of students and higher education. We would be pleased to answer your questions.

TABLE I.—HIGHLIGHTS FROM PAS/ACE STUDY OF FEDERAL STUDENT AID PACKAGES

[Median Family Income of 1st-Time Full-Time Students Receiving Federal Student Aid 1976–77]

Student aid package	Total	Public	Private
A. BEOG-based awards [1]	$9,656	$9,040	$10,882
B. Campus awards	15,658	14,708	16,605
SEOG-based awards [2]	13,258	12,605	14,011
CWS/NDSL awards [3]	16,252	15,197	17,245
C. Unduplicated count [4]	11,156	10,290	12,550

[1] Includes students receiving only a BEOG award, BEOG plus SEOG, BEOG plus CWS/NDSL, or BEOG plus SEOG plus CWS awards.

[2] Includes students who received only a SEOG or a SEOG plus CWS/NDSL awards.

[3] Includes students receiving only CWS, only NDSL, or only CWS plus NDSL awards.

[4] Students receiving some form of Federal student aid: BEOG or SEOG or CWS or NDSL.

Note.—Calculations are based on gross family incomes.

Source: Policy Analysis Service, American Council on Education, 1977.

TABLE II.—TRENDS IN EDUCATION, 1965-66 TO 1985-86 [1]

HIGHER EDUCATION ENROLLMENT TRENDS

	Fall 1965	Fall 1975	Percent change 1965–75	Fall 1985 projected	Percent change 1975–85
Total	5,921	11,185	89	13,360	19
Public	3,970	8,835	123	11,070	25
Independent	1,951	2,350	20	2,290	−3

ESTIMATED AVERAGE CHARGES PER FULL-TIME UNDERGRADUATE DEGREE-CREDIT STUDENT

	Current unadjusted dollars		Constant 1975–76 dollars
	1965–66	1975–76	1985–86
Tuition and required fees:			
Public	$257	$513	$612
Independent	1,154	2,333	2,840

[1] Source National Center for Education Statistics, NCES 77–403.

PUBLIC AND PRIVATE COLLEGES

The table which appears on pages 406–408 lists the undergraduate tuition and required fees charged in academic year 1975–76. These figures are broken down by State, in $500 tuition and fee ranges, by the number and control of institutions in each dollar range.[1]

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[1] Source. Original compilation research by COPUS research project from the NCES Postsecondary Education Directory, Colleges and Universities, 1975–76, NCES 76–130.

[Key: Number of public colleges/number of private colleges over total of both figures]

State	0-500	501-1, 000	1, 001-1, 500	1, 501-2, 000	2, 001-2, 500	2, 501-3, 000	3, 001-3, 500	3, 501-4, 000	4, 001-5, 000	State totals
Alabama	27/2	7/2	0/14	0/3	0/0	0/1				34/22
Total	29	9	14	3	0	1				56
Alaska	7/0	0/0	0/0	0/1	0/1					7/2
Total	7	0	0	1	1					9
Arizona	16/0	0/1	1/2	0/1						17/4
Total	16	1	3	1						21
Arkansas	16/2	0/4	0/5	0/1						16/12
Total	18	4	5	1						28
California	118/1	11/5	0/19	0/15	0/25	0/11	0/10	0/2		129/88
Total	119	16	19	15	25	11	10	2		217
Colorado	16/0	11/0	0/3	0/1	0/1	0/2	0/2			27/9
Total	16	11	3	1	1	2	2			36
Connecticut	17/1	4/1	0/1	0/3	0/8	0/4	0/3		0/1	21/22
Total	18	5	1	3	8	4	3		1	43
Delaware	5/0	1/0	0/0	0/3	0/1					6/4
Total	5	1	0	3	1					10
District of Columbia	3/0	0/2	0/2	0/3	0/1	0/5				3/13
Total	3	2	2	3	1	5				16
Florida	28/0	9/4	0/11	0/10	0/7	0/2	0/1			37/35
Total	28	13	11	10	7	2	1			72
Georgia	28/0	7/5	0/8	0/9	0/5	0/2				35/29
Total	28	12	8	9	5	2				64
Hawaii	8/0	0/0	0/2	0/1						8/3
Total	9	0	2	1						11
Idaho	6/0	0/1	0/0	0/1	0/1					6/3
Total	6	1	0	1	1					9
Illinois	49/1	11/3	0/7	0/22	0/25	0/8	0/3	0/2		60/71
Total	50	14	7	22	25	8	3	2		131
Indiana	8/0	15/3	0/6	0/9	0/12	0/3	0/3			23/36
Total	8	18	6	9	12	3	3			59
Iowa	18/0	6/4	0/4	0/9	0/13	0/4	0/1			24/35
Total	18	10	4	9	13	4	1			59
Kansas	22/0	5/2	1/5	0/14						28/21
Total	22	7	6	14						49
Kentucky	8/0	1/6	0/9	0/8	0/1	0/1				9/25
Total	8	7	9	8	1	1				34
Louisiana	19/0	0/3	0/2	0/3	0/1	0/1				19/10
Total	19	3	2	3	1	1				29
Maine	9/0	1/0	0/2	0/3	0/4	0/3	0/3			10/15
Total	9	1	2	3	4	3	3			25

Maryland	16/1	13/0	0/3	0/7	0/3	0/3	0/3			29/20
Total	17	13	3	7	3	3	3			49
Massachusetts	29/0	3/3	0/7	0/19	0/19	0/10	0/14	0/6	0/1	32/79
Total	29	6	7	19	19	10	14	6	1	111
Michigan	24/0	21/4	0/14	0/8	0/15	0/3				45/44
Total	24	25	14	8	15	3				89
Minnesota	20/0	10/2	0/4	0/5	0/10	0/4	0/1			30/26
Total	20	12	4	5	10	4	1			56
Mississippi	23/2	4/6	0/6	0/2	0/1					27/17
Total	25	10	6	2	1					44
Missouri	23/0	4/5	0/11	0/8	0/14	0/2	0/1			27/41
Total	23	9	11	8	14	2	1			68
Montana	7/0	2/0	0/0	0/3						9/3
Total	7	2	0	3						12
Nebraska	11/0	6/2	0/2	0/3	0/6					17/13
Total	11	8	2	3	6					30
Nevada	3/0	2/0	0/1							5/1
Total	3	2	1							6
New Hampshire	7/0	3/0	0/1	0/5	0/2	0/4	0/0	0/1	0/1	10/14
Total	7	3	1	5	2	4	0	1	1	24
New Jersey	16/1	13/3	0/1	0/9	0/8	0/5	0/2	0/1		29/30
Total	17	16	1	9	8	5	2	1		59
New Mexico	13/0	0/1	1/2							14/3
Total	13	1	3							17
New York	20/0	60/10	1/41	0/31	0/42	0/22	0/21	0/8	0/1	81/176
Total	20	70	42	31	42	22	21	8	1	257
North Carolina	64/1	8/2	0/15	0/16	0/5	0/1	0/1			72/41
Total	65	10	15	16	5	1	1			113
North Dakota	8/0	3/2	0/1	0/1						11/4
Total	8	5	1	1						15
Ohio	9/1	49/4	0/10	0/16	0/11	0/12	0/4	0/1		58/59
Total	10	53	10	16	11	12	4	1		117
Oklahoma	28/0	0/5	0/10							28/15
Total	28	5	10							43
Oregon	13/0	8/1	0/5	0/5	0/3	0/3	0/0	0/1		21/18
Total	13	9	5	5	3	3	0	1		39
Pennsylvania	10/1	45/1	7/9	0/19	0/29	0/22	0/9	0/5		62/95
Total	11	46	16	19	29	22	9	5		157
Rhode Island	1/0	2/0	0/0	0/3	0/5	0/0	0/1	0/1		3/10
Total	1	2	0	3	5	0	1	1		13
South Carolina	19/0	12/1	0/11	0/5	0/5	0/1				31/23
Total	19	13	11	5	5	1				54

[Key: Number of public colleges/number of private colleges over total of both figures]

State	0-500	501-1,000	1,001-1,500	1,501-2,000	2,001-2,500	2,501-3,000	3,001-3,500	3,501-4,000	4,001-5,000	State totals
South Dakota	0/0	7/0	0/3	0/5	0/1					7/9
Total	0	7	3	5	1					16
Tennessee	22/1	1/6	0/19	0/8	0/4	0/2	0/1			23/41
Total	23	7	19	8	4	2	1			64
Texas	88/0	0/9	0/24	0/9	0/6	0/1				88/49
Total	88	9	24	9	6	1				137
Utah	8/0	1/3	0/1	0/0	0/1					9/5
Total	8	4	1	0	1					14
Vermont	1/0	4/0	1/1	0/4	0/3	0/3	0/2	0/2	0/1	6/16
Total	1	4	2	4	3	3	2	2	1	22
Virginia	26/0	12/1	0/5	1/7	0/9	0/4	0/3			39/29
Total	26	13	5	8	9	4	3			68
Washington	27/0	6/1	0/2	0/2	0/5	0/3				33/13
Total	27	7	2	2	5	3				46
West Virginia	15/0	0/2	0/2	0/3	0/2	0/2				15/11
Total	15	2	2	3	2	2				26
Wisconsin	15/0	15/1	0/4	0/8	0/7	0/1	0/3			30/24
Total	15	16	4	8	7	1	3			54
Wyoming	8/0									8/0
Total	8									8
Islands	11/1	0/3	0/12							11/16
Total	12	3	12							27
Total (public/private)	1,013/16	403/124	12/329	1/331	0/322	0/155	0/92	0/30	0/5	1,429/1,404
Total (combined)	1,029	527	341	332	322	155	92	30	5	2,833

THE NATIONAL OBSERVER June 27, 1977

Computers May Mean Fees to Users

Is the Free Library Doomed?

By David W. Hacker

An American institution known for its silence is in the midst of a noisy fight that is about to echo in every community of the nation.

The institution is the public library, and the dispute is over whether the free library is to remain a "free" service, paid for only by tax dollars, or whether it should charge user fees to survive and to offer patrons the advantage of computer-based information.

The American Library Association's (ALA) 10,000 members who are attending the group's annual convention in Detroit this week are angrily debating the issue. The ALA's governing council last winter defeated a resolution affirming the principle of a free library. But now those librarians who see in user charges the death of one of the nation's most time-honored traditions are fighting to get the ALA's overall membership to pass that resolution.

At issue are proposals that would reshape libraries by charging for:

✓ Library cards.

✓ Admission to a library.

✓ Questions asked of a research librarian.

✓ Computer time, as much as $1 a minute, for those research projects involving this sophisticated new addition to the library's research tools.

Many ALA members believe the fight's outcome will determine whether the library will remain a "people's university," free to all, or become an information supermarket, catering mainly to individuals and businesses with sophisticated, costly, and time-consuming research needs.

So far only university libraries and a few libraries in large urban areas have tapped the computer potential. But critics of user fees reason that as the cost of computer systems goes down, they will become readily accessible to even small-town public libraries, which would need only to install a terminal to have access to millions of documents, books, and other information.

If libraries set even nominal fees for computer use, the critics fear, precedent will be established, and the idea of free public libraries will be lost forever.

Pressure to tack on fees for library services is coming from city and county governments that are short of funds, from some librarians who say computer-retrieval systems are essential to a library's mission of providing as extensive information as possible, and from the computer industry, which wants to sell more computer systems.

Those who favor library user fees point to the precedents of municipal swimming pools that charge 25 cents or 50 cents admission, to public tennis courts where you pay $1 an hour to play, and to fees for driver's licenses, building permits, dog tags, and the like.

Sharks and Minnows

Those fighting user fees are afraid of those precedents, the eventual loss of services for library users unable to pay for what they had been getting free, and competition by public libraries and companies in the information business for the same Federal support dollars.

Typical of those in conflict are Fay M. Blake, a research librarian at California State Polytechnic Institute, Pomona, and Eugene Garfield, chairman of the board of the Information Industry Association, made up of about 70 companies in the computer and information-retrieval business.

Blake, in a recent article attacking "The Selling of the Public Library," said any agreement between the American Library Association and the Information Industry Association might be the "kind of partnership sharks and minnows enjoy." Garfield said at a National Commission on Libraries and Information Science hearing three years ago that pay libraries were inevitable.

Jean Coleman, a trustee of the Dayton, Ohio, public-library system and a scheduled moderator of one of the ALA convention panels on user fees, foresees no quick resolution of the conflict. "The difficulty is that at the present time it gets pretty emotional," she says. "But we're going to have to face it. I think a majority of library administrators would be against a $5 card fee. I think there will be a terrific outcry against such charges. You've got this big fight going on inside the library industry, and it's about to come out into the open."

Jean Coleman, like Raymond Gnat, director of the Indianapolis-Marion County public libraries, believes that fees of some kind may have to be set for certain kinds of information. Says Coleman: "If there's no way we can provide that [computerized] service except to charge and the alternative is to cut back on the service to the traditional user, then I think it's up to business to pay for all this sophisticated stuff."

'Gee, It's Cost Effective'

The Indianapolis library has applied to the Government for a grant to set up a pilot program with the business libraries of the Indiana University-Purdue Center in Indianapolis and the Indiana University business library in Bloomington. The project, which will study user reactions to fees, involves computer search and loans between libraries. Under the project there would be no charge for users the first year, the second year the user would pay 10 to 30 per cent of the computer charge, in the third year he would pay [illegible] per cent of the computer charge, and in the fourth year the user would pay all of the computer charge. The library would absorb all overhead costs.

But John Berry III, editor of the 35,000-circulation Library Journal, which is the nation's leading library publication, talks about how a fee-based computer system could eventually eliminate a reader service. He mentions the New York Times Index, now a widely used printed system for looking up articles on various subjects. Says Berry:

Who Would Be Hurt?

"A librarian may say: 'Gee, we're putting money into this computer system and it's cost effective because we're paying for it with our user fees. We won't invest in the printed New York Times Index any more because we don't need it. Everything in it is already in the computer.' The problem then is the user who doesn't have the $[illegible] an hour to put up. He doesn't get the service at all because there no longer is a printed version for him to consult."

Foes of user charges also say that charging for services—beyond the fines for overdue and lost books (designated not for revenue but to cut down abuses in borrowing) and for reserving books—would drastically cut library use where it's needed most, in the inner city and poorer areas.

The Spill of Fees

Says Berry: "We see a dangerous precedent in charging for one service. If a city manager is looking for a way to cut the municipal budget, he might look at a library and say, 'Well, if you charge for this research, why don't you charge for the story hour for kids? Why don't you charge for using the catalog?'" In a Library Journal editorial, Berry argued that the free public library "has been a part of our heritage since we wrote the Constitution and that other Bill of Rights."

Says Fay Blake, "No hard-pressed city auditor or mayor or council is going to approve a budget for a library's free services once he smells user fees in the offing. And once fees become the norm we can be sure that unserved or poorly served categories will be even more unserved than ever."

Adds Frances Stalker, co-ordinator of adult services for the Indianapolis public libraries, "We think free public libraries are as important as free public schools."

A college library's computer center: Access could spread to communities.

Tel. (202) 659-1747

copus Washington

The Coalition of Independent College and University Students
1730 Rhode Island Avenue, N.W., Suite 500, Washington, D.C. 20036

ADDITIONAL STATEMENT
June 9, 1977

Mr. Chairman. In the time remaining I would like to further comment on the present situation in higher education funding. I have decided to read this statement so that I may be precise.

For students across the nation, it came as a great shock that the Budget recommendations of the Carter Administration were so disappointing for the FY 1977 Supplemental and the FY 1978 Budget. While we realize that the new Administration did not have great leeway in changing the Ford recommendations, it is a shame the President has so soon forgotten the higher education platform plank he ran on. It reads: "In higher education, our Party is strongly committed to extending postsecondary opportunities for students from low and middle income families, including older students and students who can attend only part-time. The Basic Educational Opportunity Grants should be funded at the full payment schedule, and campus-based programs of aid must be supported to provide a reasonable choice of institutions as well as access. With a coordinated and reliable system of grants, loans, and work study, we can relieve the crisis in costs that could shut all but the affluent out of our colleges and universities." Let us look at the record now: the Administration recommendation proposed, not full payment of an $1,800 BEOG, but less. Campus-based programs were not supported in the Carter Administration's budget beyond the level of the last Ford

Budget. One campus-based program, the NDSL, was not supported at all, but was to be cut with no regard to the effects on students.

The talk in HEW, the Office of Education and around Washington is of "trade-offs." Let me suggest if dismal budgets for student aid continue to be Administration policy in future years, then we will be rejecting our commitment to educational opportunity. We will be closing the doors of our colleges to the poor and middle class for want of adequate student aid. And, if these students had been able to get a college education they would have contributed to the Nation. They would have contributed to our national security, to our quest for peace, to our cultural and intellectual life, to solving our need for energy, to teaching us how to live with one another, to increasing job satisfactions and productivity. These students will not make these and countless other contributions to our Nation because they were unable to get a postsecondary education, because the Federal system of student financial aid was so inadequate. So, I respectfully submit that these are the real "trade-offs."

For the future of our country, we need the best possible student aid programs. Why not?

STATEMENT OF LAYTON OLSON, NATIONAL STUDENT EDUCATIONAL FUND, WASHINGTON, D.C.

Mr. Olson. Mr. Chairman, my name is Layton Olson, I am president of the National Student Educational Fund. I would like to comment on the reason that I am particularly here today. It is in response to the concerns that I heard expressed by the chairman about the very important job of providing information to high school students about the opportunities of postsecondary education. This is an area in which the National Student Educational Fund has done a lot of work in the last few years.

We also realize that there are now on the books new Federal responsibilities for actually providing information about financial aid programs and these opportunities to students.

Prior to 1976, this responsibility was not there at all except in the Talent Search program.

We realize as the Federal Government gets into telling people about their opportunities, some people are going to consider this to be instrusion, Federal propaganda, in effect, the selling of education.

I think that we are going to go through some problems in the next few years but I would like to describe the problems in the way that Commissioner Boyer recently described them. I think we have three areas. One is the general lack of awareness about the right to go to school and the fact that if you are in the 9th, 10th, 11th grade, or even the 5th grade, your parents can say you've got a financial opportunity to go to college. I think we need to have that message just sink in. If people are not going to school for other reasons, let's at least try to make people not get up to the last moment and not know whether they have got the extra $500 or $1,000.

I think the second area is the lack of specific estimates in the 10th, 11th, 12th grades about how much is a family supposed to contribute, and what is this taxation system we have got going that is as complicated as the IRS? It is something that years ago a whole generation never had to go through. I think we are all facing it.

How much State grant can I expect? How much of a BEOG can I expect? What are the practices of the three or four institutions I am considering going to? Am I going to be like 80 percent of the other persons in the country, not really choosing between institutions because I don't know the cost, and presuming the only place I can go is to a low-cost college?

The last area of information is the great complexity in actually applying for aid. There is so much Federal aid and State aid that has grown up that a person does not have any confidence if they file one form that they filed for everything they might possibly be eligible for. They always think there might be something around the corner that the financial aid administrator doesn't know about or hasn't had a chance to tell them about.

In the last area, I think the way to go is by simplifying the system, rather than providing tremendous information about a complex system.

In terms of the Federal things that might be done by this committee to monitor this area and perhaps to get the Commissioner of Education working on an information plan, I would suggest a few things.

One is backing up a National Student Aid Awareness Campaign that really should be run by the private sector and, in effect, by the non-Federal sector, by people who have the most stake in information. This has been proposed by a number of people and the Federal contribution might include declaring a National Student Aid Awareness week every fall so that people get this message through public service announcements over the football game and places where parents and students both listen, not just providing it in schools.

A second area relates to estimates. I think that this committee is going to have tremendous trouble in the next few years in getting estimates of cost from institutions and finding out what institutions are doing in their financial aid practices.

I have put at the end of the testimony a 2-page sheet called the Student Financial Aid Statement of Cost and Policy by Institution. Every school in the country could describe itself for people through different kinds of budgets, single, married students, different family incomes, so a person will have an estimate.

Right now it costs a person approximately $100 out of pocket and perhaps 6 to 9 months of time to learn what financial aid they would get at the school. Is the financial aid going to be a loan? Is it going to be a grant? Is it going to be a work study? How many hours is it?

Students find that the school is scrambling and that students will never know until the last moment whether they are going to get in. Therefore, they can only put their money behind applying to one school because that is about all they can afford to do. People are not able to make plans about several schools.

I think that, in looking at the regulations that the Office of Education is going to come up with, a clear recognition that information under the student consumer information amendment is there for the purpose of assisting students in making comparisons is crucial. I think that otherwise we are going to go through what has been the prospectus game of large corporations who are going to put certain information out which is only comprehensible to attorneys. Here the information should be clearly described as for the purposes of being understandable to students, and that is going to require us to work through a lot of formats.

The form that is shown here in the back is worked out by financial aid administrators. I think they can always use updating. However, if people say that to put out information in this form is an intrusion into the institution's affairs, then I think we are going to get nowhere in getting students to actually have an understanding of what the financial aid is that is available.

Another area is Congressman Biaggi's bill for a National Aid Data Bank. We ask you give it serious attention because this is the data bank which could be hooked up with the National Occupational Information Service, which will be in every high school in the country in 10 years. This is the way things are going to go on and I think we should take a look at it so we can guarantee that every high school student in the country can get an estimate of these kinds of things. Otherwise, we are going to be relying on tremendously overloaded counselors. Once we can separate counselors and counseling functions from information functions, this will be as big an information industry as the one in the American Airlines terminal that tells you where you are flying.

You can train a person on an information terminal in 2 or 3 weeks. Otherwise it will require a masters degree, and counselors still won't understand the financial aid programs.

I think that if the Congress makes the commitment to put this information in the hands of every student, the other kinds of things will follow. Yet there will be a lot of hue and cry about the Federal Government's control, and so I think it would be useful for the Commissioner of Education to come up with an overall plan as to how this would work together.

In the last area is applications, which would work in with the financial aid data. I think the Federal Government should guarantee that a basic grant or financial aid application is in the hands of every high school student in the country in the 11th and 12th grades, and do it in cooperation with States. But if the States don't want to do it, the Federal Government should go ahead and put that information right in the hands of the students. I say that because we, in moving ahead with multiple data entry for basic grants, could be taking a step back as well. Under the proposed agreements, the Federal Government is franchising the College Scholarship Service, and American College Testing Program, and some State agencies as retailers of Federal aid. That is, they can require a student to fill out a private financial need analysis form with family financial information and, in effect, saying educational money and educational opportunity is brought to you by a private concern. This kind of system should not be what is there 5 years from now. We need to phase that kind of system out. The way to do that is to begin by saying that the information itself needs to go out, and to do that, it will not be possible to charge people $5 and $10 for filing for financial aid. This is a psychological and financial barrier, particularly when we get into the area of offering estimates in high schools.

I think it is completely absurd to take 10th and 11th grade students and charge everybody $5. This is completely against what I would consider a public system.

I have a couple of questions that could go to Secretary Califano and to Commissioner Boyer that you might want to refer to them for them to think about in designing an information plan and looking at the questions of institutional eligibility at the same time.

I would like to close by saying I think it would be useful in the future to have a session which looks at one of the things that Mr. Rosen spoke about, indicators which can tell us whether there is progress, such as how much debt is there on different kinds of students coming out of school. How many hours of work a week is it taking for different kinds of students to get through school; is there actually a choice between a student getting a job and taking out a loan?

I think the Congressional Budget Office has begun to use indicators even of things such as aspiration in going on to postsecondary education so we can determine progress. I think that will be a very fruitful area, because now most of our indicators are put together in order to determine whether an institution is able to pay its budget. That is only natural, based on the way things have been organized.

I think another session on institutional eligibility is going to be needed by this committee within 6 months. There is fairly large-scale bloodshed occurring right now over the regulations—over the considerations of the HEW study group as to whether or not people actually look at a financial aid office to determine whether it can handle half a million or more dollars a year. People would like to have an institution considered eligible, simply by accreditation of the overall school. No one in his right mind thinks that the intelligent thing to do and yet this is the current battle being fought.

The Office of Education has on the shelf, and is considering implementing, a monitoring system for institutions which is designed to be the least intrusive kind of system. Yet there is tremendous opposition even to that step. Without that step we are going to have auditors all over the place in 5 years.

I think that the Office of Education could come forward with an information and training plan, and we might have a session to figure out where they should go and how this is going to affect the private sector in putting out information as well.

Thank you, Mr. Chairman.

[The statement of Layton Olson follows:]

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Testimony of Layton Olson
President, National Student Educational Fund

House Postsecondary Education Subcommittee
Oversight Hearings on Federal Student
Financial Assistance Programs
June 9, 1977

MONITORING STUDENT FINANCIAL AID INFORMATION: AWARENESS, ESTIMATES, AND APPLICATIONS FOR AID

The National Student Educational Fund was chartered by students in 1972 as a non-profit educational organization engaged in research, information services, and networking and training of student leaders. Born in the midst of the struggle to establish the Basic Grant program, NSEF's activities are aimed at the goal that "no person be denied access to postsecondary education for lack of financial resources, information, counseling, or programs to meet her or his needs." NSEF is not a grass roots constituency organization. Rather, its work involves policy research and implementation.

Since 1972 NSEF has engaged in several activities to identify the information needs of students, prospective students and their families, and to identify the practical ways to provide such information about postsecondary educational opportunities. These activities include the Student Information Gap Project (1974-76), co-sponsoring hearings in seven states on student problems with financial aid programs (1975-76), a Survey of Students Employed in Campus Financial Aid Offices (1976), and the Coalition for Coordination of Student Financial Aid (1974-77).

3 Information Problem Areas: (1) General Ignorance of Costs and Financial Aid;
(2) Lack of Specific Estimates of Costs and Financial Aid at an Institution;
(3) Confusion About Financial Aid Application Process

In designing an information system to guarantee the financial rights to postsecondary education, there are at least 3 major stages of problems. As described recently by Commissioner Boyer, information needs arise from the following general problems:

(1) A general ignorance in society about the costs of postsecondary education and the availability of student financial aid. Basic information is needed by families to correct large misunderstandings about the costs of postsecondary education and the availability of student financial aid. Such information is needed 5-20 years before enrollment in order to allow families to make financial and academic plans. Such information is particularly important to low-income families who may be assuming that they cannot afford the cost, and therefore may not academically prepare for postsecondary education. Such information is needed to support the general cultural message that each person has a financial right to attend postsecondary education.

(2) A specific ignorance about the net costs of attending a particular institution, including ignorance of estimated amounts of Federal and state grants to

be expected, about expected family financial contribution to college costs, about the financial aid packaging policies of particular institutions, and about all the financial aid sources available. These specific estimates are needed by families during the 9-12th grades in order to allow a student and family make firm plans about finances, academics, and admissions applications. These estimates are needed so that a family can compare the net cost (total cost minus financial aid) of several institutions, and thus be able to make an informed choice between such institutions. Often, families automatically rule out "higher priced" institutions on the assumption that they cannot afford them, or that they will not qualify for financial aid. Often the price differentials are much less than families originally expect. Estimated information gives a family something firm to plan on before the time of actual application for admission. Currently, many families apply to only one institution, and even at that institution they do not receive estimates of financial aid until shortly before the student must accept or reject admission. It is estimated that the cost of getting an estimate at that time has been about $100 in out-of-pocket costs to the applicant. This does not count the cost of not having an estimate until the last moment.

(3) Confusion About the Mechanics of Applying for, Accepting and Receiving Financial Aid from Federal, state, private and institutional sources. Basically, the problem is that it is extremely difficult to provide clear information about a complex system, in which a student and family must apply to several sources, at several times, on several forms, for several kinds of student financial aid. A student needs a process which will allow him to have confidence that he has applied for all the aid from Federal, state, institutional and major private sources for which he might be eligible; to file a family financial statement only once a year; and to learn about the differences between grant, work and loan aid.

The following recommendations are milestones to measure progress in solving these problems. They mark specific steps which should be taken by the Federal government — and thus they are steps which should be monitored by the oversight activities of the Subcommittee.

(1) Goal: To increase general understanding of total costs, financial aid rights, and net costs of postsecondary education.

(a) Congress and the President should declare an annual student aid awareness week each fall, as part of a national awareness campaign involving all partners in the administration of student aid or in making decisions about postsecondary education. That is, public and private information providers (Federal, state, institutional and private financial aid sources) and information consumers (students, prospective students, their families, and counselors) should be involved in building awareness on an annual cycle. The total campaign should not be dominated either by the Federal government nor by information providers, but should be most responsive to groups which have the greatest stake in using the information.

The awareness campaign recommendation was developed during 1976 by campus financial aid administrators and student representatives in a Project to Provide Better Cost and Financial Aid Information to Students Making Postsecondary Choices of the College Entrance Examination Board, funded by the Fund for the Improvement of Postsecondary Education. See attached article from April 1977 College Board News.

(b) H.E.W. and the Office of Education should take the lead in constructing an Education Forum on the Mall in front of the H.E.W. building for the purpose of providing on-going awareness of education at all levels. Open to the public, such a facility would provide a focal point for information about education, its value, its cost, and financial aid to pay for it. The Forum would not only contain exhibits from all levels of education and conference and meeting facilities. It would also contain data banks on postsecondary educational institutional costs, and financial aid sources. Such a facility would provide a focus for constant upgrading of the quality of information from several Federal, state and private sources due to the high visibility of the product.

(2) Goal: To provide high quality estimates of cost and financial aid eligibility and expected family financial contributions.

(a) The Office of Education should clarify that postsecondary institutions must provide information about costs and financial aid practices in an understandable format which allows comparison between institutions and programs. Under the Student Consumer Information Amendments, the U.S. Office of Education should make clear in regulations that the information cited in Sec. 493A must be displayed in formats which are understandable to prospective students. This would recognize that the purpose of the Amendments was to assist students, and that the adequacy of the information must be measured against the basic standard of understandability.

The information can be displayed in a format similar to the one attached, which was developed by campus financial aid administrators in the above cited College Board project. If information is not reported in common formats, it will obviously not be possible to take the next step of making such information available in college catalogs, in multi-campus guidebooks, and in educational and occupational information systems.

(b) Congress should establish a National Student Aid Data Bank, which would provide a student with a list of all Federal, state and major private sources of aid for which he or she might be eligible, in cooperation with the Department of Labor's National Occupational Information Service now operating in schools and community facilities in eight states. The Data Bank information should be available to the prospective student or family member without charge. The Data Bank should include descriptions of institutional costs and financial aid practices, estimates of Basic Grant and state scholarship eligibility, and expected family financial contributions, in addition to other educational and occupational information available from a balanced education-labor information system.

Currently, part of this information is available for $25-40 from for-profit companies, which provide computer-generated printouts of potential sources of financial aid. In addition, the American College Testing Program and the College Entrance Examination Board will be testing Early Financial Resource Services, providing estimated family contributions and Basic Grant eligibility to 9-11th grade students at a cost of $5-10. These are good beginnings. However, every high school student and every person who comes into a community counseling facility should have access to this preliminary estimate kind of information. Placing a $5-10 charge on this kind of information involves setting up a financial, administrative, and most importantly, psychological barrier to planning. It encourages postponement, particularly among students from the lowest income families. It also "privatizes" a public process, which, in a few years, will be taking place in every high school in the country.

(3) Goal: A simplified financial aid application process, under which a student normally will need to fill out only one family financial statement each year, and under which he will not have to pay a private processing fee to become eligible for Federal or state financial aid based on need.

(a) The Office of Education should place a Basic Grant application form directly in the hands of every high school senior and in the hands of persons visiting community counseling facilities. In cooperation with state scholarship agencies, local school districts, private financial aid processors, student, parent and community groups, the Office of Education should guarantee that Federal financial aid applications are provided directly to students -- not simply to counselors.

The form should be made available in a Senior Planner Workbook, along with other information about financial planning, admissions, careers, and non-college opportunities. The Planner would allow a student to have confidence that he has all the forms necessary not only for financial aid but for admissions. It would allow each student to add information over the course of a year, to show the information to family members and other important persons, and to take more responsibility for making fully-informed decisions. Such Planner could also be used in 9-11th grade courses in Decision-making for After High School, in providing practice in filling out financial aid forms, and in receiving early estimates of eligibility for Basic Grant awards.

(b) The Office of Education should not encourage state scholarship agencies to charge processing fees to students when contracting with states for data entry for the Basic Grant program, and the Federal government should eventually pay the cost of processing for all Federal financial aid programs. The price for the "multiple data entry" agreement between Basic Grant program and states and private processors includes the continuing "license" to charge students private processing fees to apply for Federal and state public financial aid. This is a carryover from the days in which financial aid was considered a "private" good, distributed by institutions. The fee was considered much like a hunting license or a driver's license, payment for a private privilege. However, as the Basic Grant and other Federal and state programs grow larger, and as education after high school is considered more of a financial right than a discretionary privilege, processing fees need to be phased out. Such fees are financial, administrative and psychological barriers, particularly for the first-time applicant, and the applicant who may want to apply to more than one school. Such fees are also a barrier because they block the development of "early information" systems which lead into financial aid application systems.

As a result, at a minimum, in the spirit of the Thompson-Eshleman Amendment on state processing of Basic Grants, the Office of Education should not contract with a state scholarship agency for Basic Grant data entry if such contract allows for the imposition of a processing fee, where the state previously had no such fee for its own program. In the end, the Office of Education, state agencies and private processors should negotiate direct payments by the Office of Education, or by institutions, for processing, particularly for first-time applicants.

I have attached questions previously submitted to the Subcommittee to be asked of Secretary Califano and Commissioner Boyer on many of these points. It might assist the Subcommittee to have them respond in order to learn about the Office of Education "Game Plan" to deal with the problems of information about financial aid both at the national level and at the institutional level. Such a Game Plan involves an area of new Federal responsibility and will require some new personnel and will require the designation of responsibility within the Office of Education. OE responses to the Subcommittee may assist in understandings about the need for Congressional funding for such activities and personnel.

STUDENT FINANCIAL AID
Statement of Cost and Policy
1975-76 Academic Year

(Insert the Name of the Institution)

I. STUDENT EXPENSE BUDGETS: The following budgets are those typically used to calculate the financial need of students with the characteristics indicated below. Other typical budgets can be obtained from the office listed at the bottom of this statement. Adjustments to these typical budgets are made to reflect special needs of different individual students.

	SINGLE STUDENTS LIVING			MARRIED STUDENTS	
	At Home	On Campus	Off Campus	No Children	Additional, Each Child
Number of months covered by budget	____	____	____	____	____
Tuition and fees	$____	$____	$____	$____	
Books and supplies	$____	$____	$____	$____	
Room and board	$____	$____	$____	$____	$____
Transportation	$____	$____	$____	$____	$____
Personal and miscellaneous expenses	$____	$____	$____	$____	$____
TOTAL ESTIMATED BUDGET	$____	$____	$____	$____	

II. AID RECEIVED BY STUDENTS: The following information describes the way in which financial aid (from all sources) was awarded to undergraduate students last year. It is provided as an indication of institutional practices with the understanding that changes in funding levels may influence awards in subsequent years.

The number of full-time undergraduates in 1975-76 was ____

The number and percent of that group receiving some form of aid was ____ ____%

	DEPENDENT STUDENTS FROM FAMILIES WITH INCOMES					INDEPENDENT STUDENTS	
	Under $9,000	$9,000- $15,000	$15,000- $21,000	$21,000- $27,000	$27,000 and Above	Single	Married
Estimated % of full-time undergraduate students	___%	___%	___%	___%	___%	___%	___%
% of aid recipients	___%	___%	___%	___%	___%	___%	___%
Average expense budget	$____	$____	$____	$____	$____	$____	$____
% receiving any grant	___%	___%	___%	___%	___%	___%	___%
Average grant	$____	$____	$____	$____	$____	$____	$____
% receiving any loan	___%	___%	___%	___%	___%	___%	___%
Average loan	$____	$____	$____	$____	$____	$____	$____
% receiving work aid	___%	___%	___%	___%	___%	___%	___%
Average work income	$____	$____	$____	$____	$____	$____	$____
AVERAGE TOTAL AID	$____	$____	$____	$____	$____	$____	$____
AVERAGE NET COST TO STUDENT AND PARENT	$____	$____	$____	$____	$____	$____	$____

Additional information about student expense budgets and aid received by students can be obtained from the financial aid office at the address or telephone number shown here

(specific location of aid office)
(area code, telephone number, extension)

III. AID PROGRAMS AND POLICIES: The following information describes this institution's policies in awarding aid to undergraduate students.

In order to receive aid, a student must enroll for ____ credit units each ___________

Recipients must complete ____ credit units each academic year in order to remain eligible

The minimum grade-point average required for selection is ____ for students entering high school, ____ for students transferring from another postsecondary institution, and ____ for students applying for renewal of aid at this institution.

In order to be considered to have a complete application for aid, a student must complete the following steps:

The deadlines for consideration for aid are:

This institution's policy concerning no-need scholarships (gift assistance to students who do not have any financial need) is:

The institutional policy for packaging grant, loan, and employment aid for students is:

Additional information that aid applicants may find helpful in understanding costs and aid at this institution (optional):

> A free-form, unique statement which describes the special elements of the institution's aid program. Examples of things which might be included are the number and percent of students receiving BEOG, non-participation in particular student aid programs, availability of jobs to students with and without need, minimum wages, average number of hours of term-time employment expected or realized, etc.

Options Workbook for Decisions after High School

It is recommended that in the 11th grade in high schools, and at various times in community-based counseling centers, a Workbook be made available (free of charge) to assist each person in making specific decisions about options after high school. There are 2 key elements: (1) that the Workbook be kept by the student for his or her use over a period of years, and (2) that the Workbook distribution be connected to a series of information sources, such as admissions and testing, financial aid, and occupational information systems.

Content of Workbook: Much of the content of the workbook would be information and fill-in exercises of the type now carried in Deciding course materials. In addition, there would be sheets inserted presenting information on admissions requirements, academic program offerings, studnet profiles and satisfaction profiles of entrants, dropouts/stopouts, and graduates of institutions in a state or metropolitan area; information on financial costs of institutions and financial aid availble by family income and other criteria in the state or metropolitan area; information on job and career outlook by state and metropolitan area and nationwide. In addition, there would be self-calculation forms for estimating financial aid eligibility and amounts.

Forms attached: There would be forms attached to send for catalogs and admissions forms for various institutions; there would be forms allowing a person to sign up for preliminary SAT exam or SAT/ACT exam; there would be forms for a person to sign up for preliminary BEOG estimated calculation of grant and regular BEOG form; there would be forms for persons requesting other sources of information about financial assistance for PSE, and to be placed on central mailing lists in regard to PSE; there would be forms which would allow a person to use occupation information systems which have developed and been placed in high schools and community-based counseling centers.

Follow Up by various agencies and groups: This dissemination system could begin with a minimum of follow up by agencies, but it would be adaptable to use by various systems. In the admissions area, there could be mailings to students and parents in special target groups for special recruitment projects. In the financial aid area, there could be mailings to students and parents by state scholarship agencies or BEOG information and applications at the appropriate time (perhaps 1 year later at beginning of 12th grade). In a course in high school or in a community-based counseling center, a preliminary SAT could be given, and a calculation of BEOG and other financial aid eligibility made, and use made of occupational information/career information systems which are available.

Payment and Delivery. The costs of such a workbook could be allocated among various sources: (1) federal government could pay for core of material and federal forms, (2) state government could pay for state/metroplitan supplements on costs/financial aid and form to order catalogs, and (3) local education agencies or non-profit counseling centers could pay for the other supplements. The costs of processing pre-BEOG would be done by BEOG, and contractual arrangements made to share that information with state agencies.

Preparation of Workbook: To avoid objections to the federal government designing curriculum materials (since the Workbook would be designed to fit into course on PSE options) the work on the "Decision-Making Process" section of the workbook could be contracted out to a party which would do the packaging based on materials selected by state or local textbook approval sources.

Purposes:

1. To give a person an estimate of costs and eligibility for BEOG, and familiarity with all financial aid programs, in specifc dollar terms before the beginning of the last year in high school,;

2. To engage the student and family in "change of status" of being in the "decision" or "application" process toward PSE options;

3. To allow educational planners an earlier estimation of "need", "applications", and "student purposes" trends;

4. To allow persons working understanding of "all forms you need", and to aid in cutting 30% incompletion rate for BEOG applications;

5. To leave person with personalized workbook binder in which all documents affecting PSE can be mentally and physically centralized for next 2 years (it should have pockets which are sturdy);

6. To bring together admissions/academic program/campus life/financial cost and aid/occupation and career information into one place, and develop "common workbook" for all systems.

Workbook Elements	Designed by	Approved by	Paid for by
1. "Your options after high school" text and exercises on decision-making process and building a personal strategy.	textbook publishers	state or local textbook approving bodies	federal government
2. "Core materials" on Financial costs, financial aid, including forms for (1) how to build a budget (2) application (tearout) for preliminary estimate of dollar eligibility for BEOG (and for state scholarship) (3) application (common form) for regular BEOG.	federal govt. or federal contractor	federal govt, and other parties to partnership (states, institutions, students) thru formalized structure	federal government
3. Statewide and metropolitan-wide (including across state boundaries) information on admissions, academic programs, surveys of student completion, staistaction, and job placemtn, financial aid and occupation information systems, including postcard request for further information on state scholarship, additional financail aid serach (not based totally on need), catalogs andadmissions applications to be sent from central source. This system might be linked to information systems with outlets in h.s. or community agency, rather than using postcard.	state agency or contractor	state govt, and other parties to partnership	state government
4. Local information from local education agencies not handled in state and metropolitan section, and from local non-profit institutions, counseling centers, and agencies.	local education agency or non-profit group	local educ. agency, or non-profit group, and state agency	local education agency or non-profit group
5. Miscellaneous pamphlets information sheets and other material could be informally passed out at local level, or collected by students, such as application for preliminary SAT	Distributing Group	Local educational agency or counseling center	Distributing Group

Mr. Ford. Thank you. I appreciate the questions. Everyone of them includes an important thought. Some of them have already been asked of the people that you suggested they be asked of.

I would only say to you that you should turn your law students loose on this, because you have asked all of the questions. Simply saying "yes, yes, yes" would answer all of them. You haven't got anybody tied down. I can't imagine either the Secretary or the Commissioner not answering them all yes, but he hasn't really made a full commitment when he has done that. The subject matter that you covered with the questions is a very good, overall statement of the kinds of concerns that led to scheduling these hearings this year.

You have just touched on something, however, that has only been alluded to very slightly by people in education but is coming on us from the outside by the instant experts who write Sunday pieces for newspapers across the country about what is wrong with education and student assistance.

When you talk about measuring such things as student motivation and considering what the proper level of student indebtedness ought to be, the danger is that there are a lot of people waiting in the wings to tell us that what we should do is determine, as we would if you were going to go to a bank to get money to start a business venture, whether or not, in the opinion of the person considering the loan, this is a good business venture and has a likelihood of success.

If we start trying to match the ultimate educational objective with the amount of obligation that the student is going to have, it will lead us into a situation where somebody else other than the student is making a decision on what the student ought to be doing with his educational resources. That is absolutely unacceptable to the people who have worked for years to develop these programs.

Now, it is true that we have used incentives such as loan forgiveness to meet what was thought at any particular time to be a need for educators or for scientifically trained people, but it seems to me extremely dangerous to start down the road of trying to evaluate whether a student is borrowing too much or not enough money for the kind of education that that student has in mind.

We have just gone through a period in this country with the great difference between the parents' aspirations for their children in terms of how they believed a college education should be designed and what it was supposed to produce and what the students themselves believed they had a right to expect. As a result of that long period of unhappiness in the 1960's, I think we are doing better on most college campuses in the 1970's than we would have without that kind of upheaval and dislocation. Maybe parents are recognizing the limitations on how much they can dictate about the future of a student by using student assistance as a club. But there are plenty of people who would like to see these programs restructured so we protect students from their lack of wisdom by directing them toward the right kind of institution, the right kind of educational goals.

The Veterans' Administration is an example that continues, year after year, of writing educational goals meeting their idea of a stereotype student and what that student should be doing in order to be productive, for example, in an educational opportunity. It doesn't bear any relationship at all to what is happening in the real world of education.

I guess we have too far behind us the academic freedom arguments of the 1950's. People who were on the college campus during that period of time can remember how the pressure built up in this country for this kind of dictation to higher education and are very sensitive about it. We could slip back into that very readily, except that we wouldn't be using "Communists-under-the-cabbage-leaf" kind of approach. We would be using financial assistance. The result would be just as disastrous.

So I hope you will look with a jaundiced eye at those who are suggesting too much examination of the failure of programs based on the lack of judgment of either the institution or the student.

Mr. Olson. In considering the whole question of indicators and measuring student ability to pay, one has to see how much he should pay. I realize that students are a fairly weak segment of the society; their parents are virtually unorganized, that whenever we set up anything like this it can always be used against their interest.

I think, however, it will be useful to begin to take a look at a few things and get some understanding of whether a person should have to work more than 12 hours a week in order to be able to get through school, because I think right now there are a significant number of persons who are in that kind of position.

Mr. Ford. Well, I get the impression over the years, as I have talked to you and your counterparts, that you have a better understanding than other people who traditionally examine these programs about the problems of the large number of first-generation student. In finding factors to make comparisons, everybody takes family income and all kinds of other characteristics into consideration, but on one ever talks about the difference between the problems of the first-generation student and my children going to college.

There is a built-in advantage that your children and my children have over at least what I had. It starts with birth. Nobody ever takes that into account. My children are much more likely to shop for student assistance that they need than I was, because it was a whole new idea.

They have learned there is nothing wrong with that. That is, from their parents they have heard that many of us used these devices to get through school; so it is an acceptable kind of practice as you grow.

That is a lot different than the kind of young person we frequently see on the campus looking for an NDSL. That is one of the problems we are having with the administration; we are having some difficulties demonstrating to the administration that NDSL is dealing with a much different population than the guaranteed student loan, for example.

If any of you on this panel are able to develop for us numbers to support our hunches about NDSL and, rather quickly, it would be very helpful. We expect to have a serious bloodletting next week on this question, because the latest information that I have is that spokesmen for the administration are going to be giving some kind of support to an effort by Mr. Michel or someone else to cut some $600 million out of the Labor/HEW appropriations bill next week, which is found mostly in student assistance programs.

Mr. Zaglaniczny. That is unbelievable because if we look at Commissioner Boyer's testimony under the national direct student loan program, he writes—the statement states:

Although approximately 150 institutions have reached the stage of requiring no further Federal capital contribution because an adequate supply of new loans can be provided solely from colleges, the majority of participants of institutions have not yet successfully achieved this objective.

I cannot see how the administration is taking this meat-ax approach.

Mr. FORD. The only thing I can say to you is that I would feel much better on the issue if Commissioner Boyer was the Director of the Office of Management and Budget instead of the Commissioner of Education. That is the difference.

Mr. ZAGLANICZNY. We understand that difference.

Mr. FORD. He has not the clout. There is a very different method of approach involved and the Office of Management and Budget has shown no substantive difference in the attitudes and policies being advocated, starting with the budget and our reaction to that budget than it did under the Ford administration.

I see no change.

From our point of view of the very limited examination of the approach to higher education, or to education programs in general, there has been very little change, and with respect to student assistance, practically none. The same mythology and philosophy that we were dealing with 2 years ago still haunts us. I don't know if we can turn that around but maybe next week, if we can demonstrate you should not fool with student assistance very forcefully, that might do it.

I think a great deal of what this administration will do with education funding is going to depend on how that vote comes out next Wednesday.

It is more important symbolically than any other vote that educators are going to see in this Congress. I hope that word is out across the country this weekend, because we just have to beat the people who want to do this very, very decidedly and decisively this first time or we will be doing it every year as we did for the last 8 years.

Father Cornell?

Mr. CORNELL. Not right now.

Mr. BIAGGI. No, I am sorry I am late.

Mr. FORD. Before you arrived, incidentally, they gave us a glowing recommendation to support your legislation for a National Data Bank.

Mr. BIAGGI. That is a testimonial to their wisdom.

Thank you very much.

Mr. FORD. Thank you very much.

As a matter of fact, the supplemental statement that you gave us, if you don't mind, might appropriately be put in the record for the first of the week for our colleagues to read, because I think it very succinctly states what should be read as a political dilemma that the administration is constructing for itself.

Mr. ZAGLANICZNY. Thank you, Mr. Chairman.

Mr. FORD. We will stand in recess temporarily while we answer this vote.

[Short recess.]

Mr. FORD. Is Bill Lawson here?

[No response.]

Mr. FORD. Jim Deal?

Mr. DEAL. Yes, sir.

Mr. FORD. Do you want to come up, Jim. We have a statement from you.

Without objection the statement prepared by Mr. Deal will be introduced at this point in the record and you may proceed to add to it, supplement it or discuss it in any fashion you are most comfortable with.

PANEL OF BILL LAWSON, CHAIRMAN OF THE BOARD, AMERICAN ASSOCIATION OF MINORITY VETERANS PROGRAM ADMINISTRATORS; JIM DEAL, PRESIDENT, NATIONAL ASSOCIATION OF CONCERNED VETERANS, WASHINGTON, D.C.

STATEMENT OF JIM DEAL, PRESIDENT, NATIONAL ASSOCIATION OF CONCERNED VETERANS, WASHINGTON, D.C.

Mr. DEAL. Thank you, Mr. Chairman, and members of the subcommittee.

First of all, I can start by expressing my appreciation and the appreciation of our membership for the opportunity to testify here today. Our organization consists of veterans' groups throughout the country on approximately 500 college and university campuses, and we feel that the voice of veterans must be heard, and student veterans in particular, on issues that you are discussing today.

The one that we are discussing today, coordination of programs, is many times relegated to a secondary role and yet it is one of the most important, if not the most important, question we face. Our organization comes before Congress frequently. We work hard to influence legislation so that we may better the life of student veterans through the legislative process.

We gain the legislation and fight for the appropriations, then many times the best hopes of that program and that money are lost through lack of coordination and proper administration.

Today and every day at least $15 million is expended by the Federal Government for the education of veterans. The $15 million we spend today, the billions we have spent since the mid-1940s, and the billions we spend in years to come, unquestionably represent one of the best investments this country has made. The resulting monetary enrichment, I think, is obvious to all of us, yet when $15 million is spent daily in any service delivery area, the program coordination of that program is mandatory.

In the veterans' world of higher education there are two components that demand improved coordination: They are the educational benefits authorized under the G.I. Bill, as administered by the VA and the veterans' cost of instruction payment program authorized by amendments to the Higher Education Act and administered on some 1,200 institutions of higher learning throughout the country under the direction of HEW/OE.

As you noted, the first component is concerned with the delivery of veterans' benefits, such as the monthly payment work/study contracts and so forth. The second deals with different areas, outreach to veterans in the community of service, recruitment of those veterans into a higher education experience, if that is what is called for, and the retention of the veterans in the educational experience. Now the retention involves counseling and offering of special education programs when needed. The VCIP program recognizes special adjustment needs of educationally disadvantaged veterans and that emphasis of the program. A basic understanding of the thrust of both components immediately leads one to realize the need for strong lines of communication and cooperation of the two responsible Federal agencies.

Senator Cranston, on November 11, 1975, introduced legislation subsequently enacted which extended the VCI program beyond its initial 3 years. The Senator emphasized his commitment to improve VA and VCI cooperation by stating the legislation seeks to insure the maximum effectiveness of the program, and he required the Commissioner of Education to coordinate the activities of that program with the Veterans' Administration and, likewise we are confident that the legislative mandate for greater coordination of effort is intended to insure that coordination you call for and we demand for better veterans programs.

All too often, however, coordination between the two basic components involved in veterans education is inadequate and nonexistent at the highest administrative levels. There is little evidence of any effective consultation or planning between VA and HEW/OE. For example, the VCIP programs are statutorily committed to the outreach recruitment and retention and they are funded on the numbers of veteran, undergraduate veterans they have in their institution.

At the same time that they are required to outreach into the community and recruit and retain veterans in their institutions, the VA is statutorily required to deny a veteran the use of his or her benefits in any program of education which is comprised of more than 85 percent veterans and recipients of Federal educational assistance.

The NACV recommends that officials of the VA and HEW/OE be required to coordinate and plan legislative recommendations jointly, and that any program administrative decisions which would have any significant effect on the administration of either VA or VCI programs be submitted to a joint agency group for consideration and recommendation.

Today, offices of veteran affairs established on American college and university campuses throughout the United States, funded through VCI moneys and thereby obligated by law to primarily outreach to, and recruit and retain student veterans are, in fact, obligating the overwhelming portion of their program time and money to the maintenance of VA paperwork. However, this myriad of paperwork must be maintained if the veteran is to continue receiving his or her benefits. We can't really help a student or a student veteran stay in school unless the necessary paperwork and the forms are filled out. That is why many outreach offices have had to go to the primary function of maintaining the paperwork.

Most institutions are unable to fund an office of veterans affairs to cover this and the Veterans' Administration pays the reporting fee currently set at $5 or $6 depending on if there is advanced pay in the situation.

You spoke earlier of VA intrusion at the higher education level. Mr. Chairman, I would like to go from the statement for a moment and speak on that subject, because I think it is most important.

The first omen of this came with the last date of attendance requirement a couple of years ago, and when the VA came onto college campuses with this requirement it, of course, drew the ire of many program administrators and veteran students, because most institutions were not even capable in their administrative functions of having a last date of attendance requirement, but that was only the first step toward this intrusion which is now we feel firmly out of hand.

Next came Public Law 94-502, which had I think the two most controversial provisions in it, 85-15, and the unsatisfactory progress requirment.

Now, 85-15 as I stated previously is absolutely counter to the whole goal of the VCI programs. Unsatisfactory progress is an anathema to institutions of higher learning, and I firmly believe if the Veterans' Administration and HEW Office of Education had the opportunities for voluntarily or involuntarily to have to meet and go over this provision, these two provisions prior to its being supported by the Veterans' Administration, that perhaps the truth of the matter and the truth of the situation on college campuses could have been conveyed to the Veterans' Administration and, therefore, they would have seen the inherent problems with both provisions. This was not done and, therefore, we have a polarization right now which is most severe on college campuses throughout the country where there is open hostility toward the Veterans' Administration in their imposition of these rules and regulations that speak to these statutes.

You spoke also in relation to the testimony previously of the need for the student to decide to be the ultimate decider of his or her educational goal and the way they will go about it. I feel strongly that is the right road when it comes time to decide your educational future, because you will be the one living with it.

I would like to emphasize our disagreement with unsatisfactory progress and point out one of the stipulations of it. I will draw a hypothetical situation on that. If a veteran is in a program that we will say for easy math here, is 100 credit hours to gain this program goal. And he is in this program for 10 quarters, he should be averaging 10 credit hours per quarter. Now, the way unsatisfactory progress works on the student veteran is like this. At the end of the fifth quarter a person should have completed the 50 credit hours. If he has 48 credit hours, and it is not possible for him to get 52 in the remaining 5 quarters, and many times it is not, because if there are night programs or he is employed and restricted to certain times of day they can take courses, that person may not be able to fit in 52 hours into their program or they may be denied fitting 52 hours in partly from their lacking because of college policy. Therefore, at this point in spite of their progress academically they could have a B-plus average, A minus average, in spite of their progress, they are technically progressing unsatisfactorily and in lieu of mitigating circumstances, their benefits through the Veterans' Administration will be terminated.

Now, at that point, it is required, counseling is required. You go before a VA counseling psychologist. The VA counseling psychologist will look over your abilities, your aptitudes, your interest, and the counseling psychologist will decide whether you will be granted your benefits once more to continue your educational goal.

We feel that is totally incorrect to have a person totally unfamiliar to you, not in your family, not in your community, your church or anything, to be deciding your educational goal for you. This VA counseling psychologist you might never have met before, and this person is not advising you under this type of policy, this person is absolutely directing you as to how you are going to use those earned benefits.

Another most important point that I would like to speak to is the reporting fees. One of the main reasons for the hostility and polarization on college campuses is due to lack of funds to carry out. Many, many students and program administrators feel strongly that the provisions of the law that require satisfactory progress and quotas being established are intolerable under any conditions, but in order to fulfill the statutory requirements it is going to take a considerable investment, and at this point the Veterans' Administration is not contributing to this in any substantial way.

Several surveys and studies conservatively, as I state in my statement, estimated such reporting requirements cost the institutions approximately $40 to $60 per veteran per year to maintain the paperwork that is required, yet the defraying from the VA is $5 and $6. We strongly recommend an increase in the reporting fee because until that veterans' program on campuses is funded, to be able to maintain those records, the outreach, recruitment, and retention aspects of the VCI programs will be secondary.

In its first 3 years the VCI program was strongly opposed by the executive branch and HEW. The program was buried in the Department. As a result of insufficient agency support it has been relegated to an insignificant force in any prior efforts to effect VA/VCIP coordination. The NACV recommends that the VCI program be upgraded within HEW. Upgrading would assist the institutions receiving program grants to receive adequate administrative assistance and program support in the carrying out of their responsibilities. That is very important at a national level, but it will actually work to a much greater benefit at the regional and local level because that is where the clientele is. Of course, that is where the program really operates.

Regionally, HEW has program coordinators to administer the VCI program. Generally, this person would be responsible for well over 100 programs in that region of the country.

Many of these program coordinators for HEW are not full-time VCI people. They may deal with up to five programs and through the lack of attention to the VCI at that regional level, much of the coordination between the two agencies and two programs has lapsed because the VCI coordinators cannot direct and assist the coordinators on individual campuses how to work with the VA and to have meetings of consultation and joint policy for that region because of the time constraints on the person. We feel strongly that each region of the country should have a full-time HEW/VCI program coordinator to assist in the coordination, because each VA or each State has their Veterans' Administration regional office and that would be the regional and State coordination that we seek, and at a local level one of the most important components of increased coordination where it all pays off is on the campus. The "rep" program, the VA representative, the official name, started off with a bang a couple of years ago, and the law states there will be one VA representative for every 500 veterans at a school.

Right now the ratio, as I state in the statement, is about 1,200 students to 1 VA rep, and the funding is low for this. We feel it is important to rejuvenate the VA representative program because that program when operating effectively, you have a veterans' representative on a campus operating in conjunction with the Office of Veterans' Affairs. The communication lines are, of course, strong because the people either work in the same office or right next to one another. When problems come up that deal directly with VCIP the person is referred by the VA representative to the VCIP office for further counseling. When the problem is concerned with veterans' benefits through the VA, and it is a technical situation, the person can be referred by VCIP officers to the VA representative. It is a program that will work if supported by the Veterans' Administration and it will, I think, be the third and probably the most important component of increased coordination between these two programs if that link at the local level can be strengthened.

Finally, I would like to state that this month we are working, our organization is working on a new proposal for delivery of veterans' educational services and we have a target date of July 1 for completion of the proposal. I would like to offer to make that available to you and to the committee on its completion. I think that would be of help to you as you collect data and I guess on how better to strengthen these programs.

Again, I would like to thank you, Mr. Chairman, and members of the committee, and I am available for any questions, if there are any.

[The statement of Jim Deal follows:]

National Association of Concerned Veterans

STATEMENT OF
JAMES T. DEAL, PRESIDENT

BEFORE

SUBCOMMITTEE ON POST-SECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

June 9, 1977

Mr. Chairman and Members of the Subcommittee:

The National Association of Concerned Veterans (NACV) is indeed grateful for the opportunity to present the positions of our organization on this most important issue now under your consideration -- coordination among programs.

The NACV, with many organizational and individual members on college and university campuses throughout the United States has, from the day of our inception in 1968, held steadfastly to the purpose of doing whatever we could collectively to maximize and promote educational opportunities for veterans. That is our duty as an association of concerned veterans. As citizens of this Nation, it is our responsibility.

You are to be commended for the significant part you have played in building a better life for so many men and women who served this Nation during some of its most difficult times.

The three essential processes of any program of service -- authorization, appropriation and administration -- requires the constant vigilance and scrutiny of those who authorize and appropriate, of those who administer, and of the clientele.

Today, and everyday, at least $15 million is expended by the Federal government toward the education of young veterans. The $15 million we spend today, the billions we have spent since the mid-1940s and the billions we will spend in years to come unquestionably represents one of the most insightful, progressive and wise investments our Federal government has ever made.

The resulting monetary enrichment of our public funds is widely, and rightly, heralded. The human enrichment that has been produced is clearly beyond calculation.

Yet, when $15 million is spent daily in any service delivery area, program coordination is mandatory. In the veterans' world of higher education there are two components which demand improved coordination. They are the educational benefits authorized by the Veterans' Readjustment Benefits Act (the GI Bill) as administered by the Veterans' Administration and the Veterans' Cost of Instruction (VCI) program authorized by amendment to the Higher Education Act and administered by some 1,200 institutions of higher learning throughout the country under the direction of the Department of Health, Education and Welfare's Office of Education.

As you know, the first component is concerned with the delivery of veterans' earned benefits through monthly payments, VA work-study contracts, tutorial assistance, etc. The second deals with community outreach to, and recruitment and retention of veterans. The retention focuses on the delivery of counseling and special educational programs which enhance the probability of student veterans completing their designated learning goal.

Most significantly, VCI recognizes the special readjustment needs of the large contingent of educationally disadvantaged veterans among the nine million ex-servicemen and women of the Vietnam era, and seeks to make GI Bill benefits available as an effective instrument of readjustment assistance.

A basic understanding of the thrust of both components immediately leads one to realize the need for strong lines of communication and cooperation between the two responsible Federal agencies. The Honorable Alan Cranston, on November 11, 1975, introduced legislation, subsequently enacted, which extended the authorization of the VCI program beyond its initial three years. The Senator emphasized his commitment to improved VA and VCI coordination by stating that the legislation "seeks to ensure the maximum effectiveness of the program by requiring the Commissioner of Education to coordinate the activities of the VCI program with complementary and supplmentary programs carried out by the Veterans' Administration. The bill also requires the Administrator of Veterans' Affairs to provide to VCI programs and the Office of Education assistance, technical consultation, and information otherwise authorized by law.

The NACV is confident that the legislative mandate for greater coordination of effort is intended to ensure that programs are conducted in a manner which will promote maximum effectiveness and will help keep to a minimum the confusion and redtape which confronts many veterans trying to progress through the educational maze.

All to often, however, the coordination between these two basic components involved in veterans' education is inadequate or non-existent. At the highest administrative levels there is little evidence that any effective consultation or planning between the VA and HEW/OE occurs.

For example, the VCI programs are statutorily committed to the outreach, recruitment and retention of veterans in meaningful programs of education -- and are funded based on the number of undergraduate veterans enrolled.

All the while, the VA is statutorily required to deny a veteran the use of his or her benefits in any program of education which is comprised of more than 85% veterans and recipients of Federal educational assistance.

The NACV recommends that officials of the VA and HEW/OE be required to coordinate and plan legislative recommendations jointly, and that any program administrative decisions which would have any significant affect on the administration of either VA or VCI programs be submitted to a joint agency group for consideration and recommendation.

Today, offices of veteran affairs established on American college and university campuses throughout the United States, funded through VCI monies and thereby obligated by law to primarily outreach to, and recruit and retain student veterans, are, in fact, obligating the overwhelming portion of their program time and money to the maintenance of VA paperwork. However, this myriad of paperwork must be maintained if the veteran is to continue receiving his or her benefits. Therefore, in lieu of substantial institutional supplements, it is obvious how the financial considerations lead to the use of VCI monies for the maintenance because the VA presently pays an institution of higher learning $5 per veteran per annum and $6 per veteran per annum if the veteran receives advance pay.

These payments, termed reporting fees, are paid to schools to defray the cost of VA reporting requirements. However, several surveys and studies have conservatively estimated that such reporting requirements cost an institution approximately $40 to $60 per veteran per annum.

The NACV recommends an increase in the reporting fees paid to schools to an adequate level. We feel this would relieve the reporting burden now placed squarely on VCI programs and result in a significantly improved working relationship between local VCIs and the VA.

In its first three years the VCI program was strongly opposed by the Executive Branch, and in turn, by HEW. The program was buried in the department and, as a result of insufficient agency support, it has been relegated to an insignificant force in any prior efforts to affect VA - VCI coordination.

The NACV recommends that the VCI program be upgraded within HEW/OE. This upgrading would assist the institutions receiving program grant to receive adequate administrative assistance and program support in carrying out their responsibilities.

On a regional and state level, joint consultation and planning between the VA and VCI is wanting. The majority of the HEW regional officials whose duty is to direct VCI program assistance are responsible to other agency programs as well. With an average in excess of 100 programs in each region, it is clear there is a full-time need for direction in every region. We recommend that each HEW region have a full-time VCI Program Coordinator. These individuals would be able to devote their attention to the VCI program in that area and would be in a position to work with the individual program directors toward improved coordination with the applicable VA Regional Office.

Essential to improved VA - VCI coordination is the strengthening of the VA representative ("Vet Rep") program. The initial legislative mandate was to have one VA representative per each 500 student veterans. However, today the ratio is more than 1,200 student veterans per VA representative. Many campuses seldom see a representative. This program, if properly staffed, would also strengthen the local VA - VCI coordination. We in the NACV feel that if each campus with 500 or more student veterans had a full-time VA representative to serve as a VA consultant to the VCI program, or to serve in that capacity to the veterans office, it would facilitate the necessary local coordination.

Our organization is presently developing a new program proposal for the delivery of veterans' educational benefits. Our goal is to finalize this project mid-summer, and I wish now to offer to make the proposal available to this subcommittee at that time.

In conclusion, I wish to again express our appreciation for this opportunity you have provided us to convey our policy on the need for improved coordination of veterans' educational programs. As you deal with this issue as it concerns all students, we trust our suggestions regarding a most prominent segment of America's student population will be helpful to you.

Thank you.

Mr. Ford. Thank you.

I would like to ask for your impressions or observations about the organization of the Veterans' Administration for the purpose of supervising educational benefits. In your membership, what is the general impression about the importance of education vis-a-vis the other kinds of veterans' benefits and programs that are administered by the VA?

Mr. Deal. Well, I will preface my answer to that by stating that our organization when it was formed dealt exclusively with education. Since then we have branched out into other areas that demand attention, employment, health care, and so forth. Education is still a very important issue and certainly as important as any other in our organization, and as far as the interest in a subject, certainly our membership I would have to say, primarily based on college campuses and young veterans, Vietnam-era veterans, the interest in health care is not as strong as it is with education and employment. As far as the structure of the Veterans' Administration in dealing with educational benefits, the basic structure is there. I think sometimes the attitude is lacking. I will basically state it this way. I feel the Veterans' Administration is still an ivy-covered-walls concept of education, that is their philosophy therefore, and it doesn't work today. It may have been fine in 1946, but it doesn't work today because of the new concepts in education. An example is through the VCI program. Here is a program that is aimed toward disadvantaged veterans, particularly outreaching to and trying to get this person into an educational experience. The program is not only education, because it is clear that education is not going to be the answer in this individual's situation or they don't want to go to school, then program will try to help the program, this veteran may be in the community trying to get employment or whatever service that person may need.

Mr. Ford. How many members do you represent?

Mr. Deal. We have approximately 500 organizations. We are an organization of organizations.

Mr. Ford. Are you nationwide?

Mr. Deal. Yes.

Mr. Ford. We had testimony from representatives of State agencies that they have difficulty with lack of uniformity in administering veterans' programs because the State approving agency, which is sometimes located inside of the State office of education and sometimes outside of it, is not bound by any tight set of Federal regulations, that regulations are subject to different interpretations in different States.

Is this reported to you by your organization?

Mr. Deal. Yes.

Mr. Ford. How extensive is this phenomenon and could you tell us what it produces in the way of problems for veterans?

Mr. Ford. Well, it makes for a patchwork of program administration throughout the country. I think what you are speaking to is what we would phrase the State approving agency system, because they do carry out the approval of programs and monitoring of educational programs for the Veterans' Administration. In all cases that I am familiar with they are the sole source contractor with the VA to carry this out.

Mr. Ford. I am interested in this question of the irritation with lack of uniformity which is brought about by the fact that these people are appointed in each of the States by someone other than the Veterans' Administration, apparently.

Is that simply an irritation to school administrators because it doesn't leave them with a feeling that there is a tidy system operating that they can stay ahead of with the bookkeeper's mentality, or is that in fact something that leads to a lack of confidence by veterans in the programs because it is known that the regulations and the program, therefore, are different in one State than it is in another.

Mr. Deal. Yes, and many veterans. I will answer the question by saying many veterans know that the lack of coordination, because there is a lot of interstate travel. They go from one State where they could do a certain thing. They come to another State and find that State operates the same type of benefits in an entirely different way or requires schools to have certain standards that were not required.

Mr. Ford. Could you submit for the record, after contacting your constituent groups, some examples of the differences that exist presently or have recently that lead to problems?

Mr. Deal. Yes.

Mr. Ford. I have been thinking about this ever since it was raised the other day, because this particular group of people was subject to the draft at a period when the draft was operated probably in its most inefficient and arbitrary manner in its history. They are very conscious of the fact that this whole generation of young people were subjected to a Federal program that they almost universally believed was not evenhanded or fair between States or within States between draft boards. So they might already be conditioned to a reaction to a program that appeared to take on this localized sort of flavor.

If in fact this phenomenon affects confidence in the program, we would like to know it. If it merely is something that irritates school administrators because their reporting ability is not as great as they would like it to be, we should know that, too.

Mr. Deal. We will provide the information.

Mr. Ford. Mr. Cornell.

Mr. Cornell. I would like first to make one observation about the subject you were just discussing, and that is the State approving agencies. When the repreesntatives of the VA appeared before our Subcommittee on Education of the Veterans Affairs Committee they used the State approving agencies as a defense. They turned over the administration of the program to this agency and it varies in interpretation from State to State as a consequence. I don't know whether this is a good or bad thing.

I was particularly interested in what you had to say about VCI. You may recall that last year in the Higher Education bill we put in a provision to keep the VCI operating on campuses where they might otherwise drop the program because of the reduction in the number of veterans due to the 10 year limitation. The bill also required cooperation between the VA and the Office of Education. We were particularly interested in seeing the VA provide the Office of Education with information that was essential because of the number of veterans that were reaching the limitation date. There was an objection on the floor that our committee was going beyond its jurisdiction, however, and as a consequence, we had to eliminate that particular change. Therefore, I am very interested in your observations about the lack of cooperation here. It seems utterly ridiculous in an educational program like this that we have two Government agencies that are not cooperating for the benefit of the veterans.

Also, I think it is significant to mention here something you alluded to in the early part of your statement, the value of this program. The Veterans Administration themselves told us that for every one dollar invested in the education program for veterans there was a return of $3 to $6, which I think is a pretty fair investment.

I have two questions. I was wondering about the position of your group on the change in prepayment and advanced payment for veterans. Would you care to coment on that?

Mr. **Deal.** Yes. Our organization basically supported reluctantly, but they did support the repeal of prepay. You probably know the history yourself. But it came about as a result of the slow VA pay. It was a system established to correct a bureaucratic fault and that very system, of course, brought about an even larger problem, and that was the overpayments problems.

We were very much opposed to any significant reduction in the advanced pay. The reason of course is that a student when they enter school many times the institution wants the tuition right away or within a 30 day period. When you are a new student entering you don't have your VA moneys available until perhaps 2 months and you cannot pay the school, you cannot pay your landlord, and the other necessities of life, therefore the advanced pay had to be kept we felt. It was restricted initially in this last legislation, and subsequently it was loosened up again by administrative action of the VA, so that veterans who would have not been able to get their advance pay can now get it.

I think this problem is basically solved. But the overpayments or the prepayments most definitely I think will curb very much a majority of the abuse, and for that we were in a dilemma frankly because we knew that the abuse or the overpayments figure was far, it was bloated quite a bit out of what it actually was. A great majority of the money that was bantered around the country, at one point $4 billion or so, 80 percent of that was in the process of being paid back or had been paid back.

Mr. **Cornell.** We were given a figure of about $1 billion as far as the so-called "ripoff" and, of course, I presume these provisions, like the 85–15 amendment, or the unsatisfactory progress, are a consequence of that——

Mr. **Deal.** Yes.

Mr. **Cornell** [continuing]. effort to try to rectify that situation.

Mr. **Deal.** Yes.

Mr. **Cornell.** I gather that you are opposed to the 85–15 provision?

Mr. **Deal.** Very much.

Mr. **Cornell.** Are you particularly opposed to it in graduate study? We did, of course, permit the G.I. bill to be used for graduate study.

Mr. **Deal.** Yes, sir.

Mr. **Cornell.** Do you find many courses where you might have more than the 85 percent?

Mr. **Deal.** Of course.

Mr. **Cornell.** A small number of students participate in graduate study.

What do you think ought to be done about this question of progress determination, whether they are making satisfactory progress?

Mr. DEAL. I feel that, first of all, a system cannot go beyond—or a program cannot go beyond what the educational institutions prescribe themselves as satisfactory progress.

Now there is a certain safeguard, if you will, in the veterans' education program, because the State approving agency, before any veterans can enroll in any institution and be paid to attend classes there, that school must, and that program, must have been approved and accredited, approved by the State approving agency, that contractor with the VA.

So, first of all, the State approving agency has already approved the academic requirements of that institution prior to any veteran being paid his benefit there; so they have accepted whatever the school states.

If they allow noncumulative grades or their policy on probation, academic probation for two quarters or what have you, that has already been approved.

Mr. CORNELL. I noticed when you were talking you gave an example of the students. At the institution where I taught for many, many years, we had, first, the credit system, then the unit system, and the requirement is that at a certain stage a student must have so many credits or so many units in order to be making sastisfactory progress.

Do you feel that would be sufficient?

Mr. DEAL. Yes, sir.

Mr. CORNELL. Here is the problem, though—and we had a group of representatives of educational institutions here the other day that talked about this particular problem—they do not feel that the responsibility of certifying satisfactory progress ought to fall upon the institution; I suggested this in the Subcommittee on Veterans' Education—that we should put the responsibility on the individual, the veteran himself. He should be responsible for getting certification from the registrar's office and seeing that it gets to the Veterans' Administration authorities.

Do you think that would be acceptable?

Mr. DEAL. I am a strong proponent of the Offices of Veterans' Affairs because I think that is many times where the veteran comes for—student veteran comes for any type of assistance and information that may deal with housing; it is a total office. I think prior to VCIP a vast majority of the college campuses didn't have an Office of Veterans' Affairs, and I believe the veterans may have suffered, the student veterans may have suffered, because they didn't have a place to go to get that full service and their paperwork, such as the certification and other things worked out for them and explained to them, because it is an incomprehensible maze to the entering student; there is no question about that.

Mr. CORNELL. I certainly agree with you as far as this overall question of aid to the veteran, that we need this cooperation. It is absolutely essential.

I have two more observations.

I would like to thank your organization for your efforts when we were trying last year to save the GI bill.

Mr. Deal. Yes, sir.

Mr. Cornell. I would also like to observe that I still have these buttons in case you want any for souvenirs.

Mr. Deal. Keep them.

Mr. Cornell. Also, I think veterans are among the most discerning individuals I meet.

At the first class I taught in the college level, feeling quite proud of my doctorate, I walked in about 2 minutes late to a class of all veterans and apologized for being late. One of them spoke up and said, "I will tell you, Father, we wait 5 minutes for a Ph. D., 3 for an M.A., and 2 minutes for a B.A. From now on you had better be on time."

Thank you.

Mr. Ford. You mentioned, Father Cornell, the attempt by the veterans' committee on this legislation last year. I think the reason probably was Jim O'Hara.

Mr. Cornell. Yes.

Mr. Ford. I think the reason for the point of order was that the House had already acted on the higher education amendments, and we did include a requirement which reads, "The Commissioner"—meaning in this case the Commissioner of Education—"in carrying out the provisions of this section"—which is the VCI section—"shall seek to assure the coordination of programs assisted under this section with the programs carried out by the Veterans' Administration pursuant to title 38 of the United States Code, and the Administrator of Veterans' Affairs shall provide all assistance, technical consultation, and information otherwise authorized by law as necessary to promote the maximum effectiveness of the activities and programs assisted under this section."

I think since you have raised the question, and obviously you have spent some time on it, it would be appropriate if we directed an inquiry from the committee to both the Commissioner and the Director of the VA, asking them to outline for us what they have done or are doing to implement the intent of this section.

Mr. Cornell. Actually, this is what happened. We had a stronger statement in the higher education bill originally, and the chairman of the Veterans' Affairs Committee was going to challenge jurisdiction on the floor. Hoping to avoid that, we permitted the change in the language. That is what happened. So it had nothing to do with the higher education——

Mr. Ford. I, at this point, would be curious whether or not anybody over at VA has read this section, since they don't seem to pay much attention to anything other than the legislation coming out of the Veterans' Committee?

Mr. Cornell. The striking thing is this situation existed before. We were hoping that by including the provision in the bill there might be some recognition of the need for such coordination.

Mr. Ford. Part of the incentive for doing it in the education bill was the fact that, under the previous administration, the Office of Education was ignoring the Cranston provisions and really not doing anything with VCI, and it was aimed at them. Obviously, Mr. Roberts thought it was aimed at his folks.

Mr. Cornell. It was partially aimed at the Veterans' Administration because of the need for information.

As I mentioned originally, many schools were going to lose VCI money as a consequence of the reduction in the percentage of veterans on their campuses.

Mr. **Deal.** Thirty percent.

Mr. **Cornell.** The reduction would mean they would lose the VCI program and we were trying to extend it. Because it is absolutely essential that the VCI have information on the number of veterans that are reaching the limiting date, we had hoped that the Veterans' Administration would supply the VCI people with that information.

Mr. **Ford.** We will communicate with both of them, to see if their emissaries have been holding high level meetings. My suspicion is this will be the first time it has been drawn to anybody's attention.

Mr. Buchanan?

Mr. **Buchanan.** Thank you, Mr. Chairman.

Mr. Deal, I note your most reasonable suggestion concerning reporting fees and the contrast between the amount received by an institution and the average cost.

I don't know—it is probably just a personal impression; it has aldays been my personal impression that the Veterans' Administration was both more paternalistic and even more bureaucratic than some other entities in the world.

I wonder how much of these reporting requirements themselves are reasonable and necessary? Do you have any feelings on that subject, the paperwork itself?

There is as you have pointed out, a very substantial amount of paperwork involved in keeping veterans in a position to receive assistance.

Mr. **Deal.** The basic paperwork—your initial certificate of eligibility and then your certification into the school, of course, are necessary. The change of status, if you go from being full time to a part-time student, that affects your benefits, of course, is necessary.

These things are time consuming though, and they take up a lot of administrative time and money, but they are necessary for the administration of benefits. But that is where I think the problem is; that is where we go from that one level to another level of unnecessary monitoring.

For instance, on this unsatisfactory progress, now there is no question that the veterans, any students that receive any sort of assistance from the Government, should not be paid without any recognition of the academic requirements there. There is no question of that, but right now VCI offices, which primarily are funded through VCI funds, are having to monitor the grade point averages each term of every student because how will you know whether this person is by VA standards progressing satisfactorily.

This is extremely time consuming and basically I feel unnecessary. When you have school apparatus already set up and their own academic standards so when a person is no longer progressing satisfactorily according to the school, they are notified through that administration rather than the Office of Veterans' Affairs on the VA requirements.

The 85–15 computation is another thing. I think it is a very discriminatory rule. It looks pretty harmless as far as paperwork goes, then you have to consider looking at what it is going to take for an institution to compute for each program, not for the entire institution but for every program that there is in the school, the ratio of veterans and BEOG and SEOG recipients with another class of students, the ones who don't receive veterans' assistance.

It is extremely time consuming and I comment on what you were saying and answer this one by saying the offices of veterans' affairs are really the VA on campus for veterans. The VA in most instances is not on the campus because the veterans' program has been diminished so much, so VA law and policy is carried out by the Office of Veterans' Affairs which is funded through VCIP, which is supposed to be doing other things, other services, the total service thing, yet they are spending their time doing this; then they are going to be monitoring, extensively monitoring programs.

They are backed up by VA work studies which the contract for is paid through and by the VA; but generally a work study student is only there 2 or 3 hours a day depending on how he fits into his schooling. They are not like full-time employees that can get into technical recordkeeping and certification of these monitoring procedures such as the academic things; and, of course, you come into in many cases a privacy situation where you have to have a particular official who is authorized to go into the academic records.

Mr. CORNELL. Would the gentleman yield?

Mr. BUCHANAN. Yes.

Mr. CORNELL. One of the problems, as I see it, when we talk about certification of progress is the fact that in most institutions it will be on the semester or quarter basis or on whatever basis they operate, and you will have instances, as we had before our subcommittee last year, of students who have been veterans who have been collecting for several months but actually haven't been in school at all. I, therefore, think that there might be a need for some certification of progress other than just that of the institution because of the money that is involved here. That is why I suggested earlier the possibility that that responsibility be placed on the veteran. If he fails to do it, he won't get his money.

Mr. DEAL. That is right.

Mr. CORNELL. And I feel that some type of a form, a very simple standardized form, could be used for that purpose, and it would be the responsibility of the veteran so see that is turned in whenever required. It would be feasible.

That is something, of course, that would have to be thought through.

Mr. DEAL. To follow up, I think it is a basically good idea to have a form mailed with the monthly check that would verify receipt of the check, and this would be mailed back to the Office of Veterans' Affairs of whoever was the recordkeeping agency, mailed back to them, and a statement which says, "I am progressing in school," something like that.

Mr. CORNELL. Interestingly enough, the other day—I don't know if you were here when we had representatives of the institutions complaining about this question of certification of progress—one of them suggested that there be a provisions where they signed the check; that would be certification. Yours is very similar to that idea. I hope something can be worked out that I think would be beneficial to the institution and at the same time to the veteran.

Mr. Ford. I agree with your opening comments. As one who participated extensively in veterans' benefits in my own education and watched it over the years, I think that what I detect happening with the Veterans' Administration is a very natural thing for them to do. They sort of regard themselves as being in a position of loco parentis with the veteran students. They are like the parent who says, "I want to see your report card before I come up with the money for next semester," and you say, "How do they get this way?"

Well, if you think back a few years ago to the great difficulty the Veterans' Administration had in the Congress trying to find a way to get outpatient medical treatment for veterans without access to a veterans' facility, they found they never could come up with a system. The Veterans' Administration has always been geared to actually administer programs for veterans rather than providing them with resources to go to someone else for a delivery system. Our concept of providing student assistance is that you are providing the students with a resource which the student then uses to gain access to an institution, and the controlling factor is the relationship between the student and the institution. That is pretty hard to fit in with whatever the VA has done in the past, because they have been accustomed to administering programs that were more easily measured. You authorized attendance at a dentist's office to have teeth fixed if your medical records indicate those teeth were bad or you were injured in some way in the service.

They quantify everything in percentages and with previous records and previous indications. They have been accustomed to dealing directly with the veteran on granting or not granting a particular benefit on the basis of adjustment made by a VA official.

It is very hard to get them to shift from that into an understanding that all they are supposed to do is administer a type of veterans' benefit, the ultimate use of which, in the vernacular, is none of their damned business. I understand why. We track back the 85–15 rule as an old one that came out after a study made in the late 1940's by Congressman Teague who was then chairing a special task force to look into veterans' education. At that time a lot of my contemporaries were living on the Left Bank, ostensibly studying art, in Paris. This used to be in the newspapers constantly. Somebody else was taking flying lessons; somebody else was taking dancing lessons, and this built up over a period of time into an impression that there were all kinds of gimmicks being used to just simply ride out the benefits.

It is strange that after all these years that 85–15 came back again.

Mr. Cornell. In combination with it, they put the 2-year rule.

Have you had much reaction from your members about the 2-year rule?

Mr. Deal. Both 85–15 and the 2-year rule are opposed adamantly. The people are——

Mr. Ford. What kind of things happen as a result of the 2-year rule?

Mr. Deal. Basically, the 2-year rule states that until a program is 2 years old, a veteran cannot use a new program. Here, again, these are the wrong answers to a problem.

If you live in Pittsburgh, Pa., for instance, and a community college there constantly has night programs which, of course, veterans attend pretty heavily, they go to the industries around Pittsburgh and say, "What are you employees most efficient in, what would you like to see them better in?" and the University of Pittsburgh will design a program to fit those needs, because they know they will then have students from various industries and companies around there; but they are not going to get it from the veterans, not for 2 years, because a program—a new program cannot be used, so all the other employees can use the program and use any benefits they may have and grants, but not veterans for 2 years. That is the way it works, and here, again, the 2-year rule is very discriminatory.

Mr. CORNELL. When we had the representatives of the educational institutions here, you recall they complained about the 2-year program. When they established extensions they wouldn't be eligible because of the 2-year rule.

We are told by the veterans people for the Veterans' Education Subcommittee that they readily grant waivers, so there is a contradiction here.

Mr. DEAL. Waivers of the 2-year rule?

Mr. CORNELL. Yes; and of the 85–15, too, for that matter.

Mr. DEAL. Yes; the 85–15 waiver—if I might just say a couple of things about that—that is a much misunderstood thing.

First of all, the rules and regulations clearly and absolutely state once 85 percent of your students in a program are veterans there is no waiver; there are no provisions for an individual waiver. Institutions may seek a waiver if there are less than 85 percent veterans for a particular program, but no student at any time can request a waiver for him to be the 85 percentile.

Mr. CORNELL. I think there should be a clarification. It isn't only veterans in the 85 percent, but all Federal recipients.

Mr. DEAL. Yes; they have been waived out temporarily. That is where the waiver comes in. The Administrator has waived out the Federal recipient temporarily and I believe it is going to be waived out permanently, leaving veterans to comprise the 85 percent—and this we supported.

We want everyone waived out of the 85 percent and eliminated; but certainly waive out the other Federal recipients because once the 85 percent was reached, who was denied? Only veterans were denied entry into the programs, but they were not, at the time of the law, not the only ones making up the thing.

Mr. CORNELL. Somewhat akin to what the chairman was talking about before, how do you think members of your organization would feel about revising the veterans' benefits, educational benefits, as we had them by going back to the payment by the Veterans' Administration of tuition and books and fees and such, with some subsistence beyond that?

Mr. DEAL. I believe that basic concept would be supported in our organization, but once this paper, which will be a compilation of many committee reports and input from people around the country, I will be able to develop and answer that question, but I believe that that very thing you are talking about will be one of the bases for the new proposal we are developing. Something isn't working and I know that chapter 32 in the new GI bill is counter to what all GI bills are supposed to be about, and that is helping veterans reenter into civilian life and readjust.

The way it is set up it absolutely helps the people who need it the least. It helps because of the share formula. Unless you are a pretty high ranking noncommissioned officer or officer you are probably not going to be able to afford to use this bill; and something really has to be done right away about this chapter 32.

Mr. **Ford.** Let's talk about the waiver. Somebody brought it up the other day.

If you were to establish a program taking advantage of the fact that people who had training as a medic in one of the military services could, with a minimum of additional education, become a paramedic—which are much needed. Conceivably, that course could be 100 percent veterans, wouldn't it?

Mr. **Deal.** In many instances yes.

Mr. **Ford.** That would be the most likely place they would come into the program from with some kind of training, unless they happened to be trained in coal mine safety or something like that?

Mr. **Deal.** Yes, sir.

Mr. **Ford.** Is it possible, for that kind of a program, for the Administrator to waive the 85 requirement?

Mr. **Deal.** Yes; if it involves a program or institution requesting a waiver for a program, yes, they could get that waiver. Whether they would or not, I couldn't answer.

I would think that under the circumstances you laid out it would probably be worthy of a waiver; but institutions and programs can receive them but not an individual.

Mr. **Cornell.** Do you know if that is handled through the State approving agency?

Mr. **Deal.** The waivers for the institutions, yes, they are handled through the State approving agency, because they are the ones that carry out the field monitoring of this. They would not approve a program for continued veterans' benefits until it had come within compliance with 85–15.

Mr. **Ford.** The kind of institutions that veterans are attending have changed dramatically with this GI bill from its predecessors, because we make the payment in cash. If you can find the cheapest possible point of access for education, you make out better. Of course, private institutions aren't very happy with this, but under the system as it worked before that really wasn't a function of selecting the school. It was whether or not you could get in, and the tuition was then paid.

Mr. **Cornell.** That wasn't my motivation though in asking the question about tuition.

Mr. **Ford.** One of the things we have to do is face the problems that people throw at us in trying to sort through these programs. There is sufficient reason for a number of Members of Congress to believe that the present structure of the veterans' benefits is encouraging one to enter school so that there will be a little extra income to make a car payment, particularly part-time students.

I don't know how we reach that with the present structure of things. How would we get a handle on that problem, to really have an intelligent appraisal of how extensive the additional income characteristic of veterans' benefits is in someone determining to go through the motions of attending school?

Mr. **Deal.** How to answer someone when they put that to you?

Mr. **Ford**. Yes.

Mr. **Deal**. I would answer them this way: I think that an important point that should be brought out in relation to the whole thing is that, first of all, these benefits are absolutely earned and each person that gets them feels they earned them.

Now I won't deny the fact that veterans use educational assistance to some extent for subsistence; there is no question about that. Many times it is the difference between making it or not making it.

Many students, I think, also enroll in a program of study merely to get the money. They cannot find a job and they are desperate, so they enroll and start getting their educational benefits, and we find that many of these—I wouldn't put a percentage on it because there has been no study that I know of—many of these then get interested in the program that they had actually gotten into for the money—and I think the success rate would be higher than what one would ordinarily think—they get the money and leave.

I think that many of them, once they get into a program, are encouraged to stay and they want to stay because, I think, one of the basic concepts about the Vietnam-era veterans, I am sure through your work you know, is that basically there has been less of an academic background than with their nonveteran peer group; therefore, I think many times they are afraid of or shy away from the college experience initially.

Once they are exposed to it, even if it is caused by financial hardship, it turns them around academically.

Mr. **Buchanan**. It seems to me that if I did have to certify upon signing as part of endorsing my check there were some certification of satisfactory progress, some system such as you were discussing a while ago, such a statement on the check itself or accompanying it, that that would have some weight in holding down that particular problem, and also relieve this burden, major paperwork burden, institutionally. We discussed this in the higher education amendments pertaining to student loans. It seems to me that something on the check that would constitute a recognition of indebtedness—I remember we discussed something similar in the conference last year—it seems to me that some system like that might well help the problem.

It would be your committee, rather than our own.

Mr. **Ford**. It is his project; I hope it succeeds.

Mr. **Buchanan**. How many veterans do you think at this point are not aware of educational benefits? I want to get back to the VCI program.

Mr. **Deal**. How many do I think are still not aware?

Mr. **Buchanan**. Yes; of benefits to which they are entitled, educational benefits.

Mr. **Deal**. I would think at this stage it is probably down 15 percent, 10 percent perhaps, because there has been a lot of information set out by the Veterans' Administration, by the Office of Veterans' Affairs. I think that figure is going down substantially; but when you work with veterans you are constantly surprised though to find that they didn't know the limiting date issue discussed earlier.

I was amazed because we had dealt with it for so long trying to get it extended and so forth, amazed to find the people that had no idea that they only had 10 years in which to use their benefits and would write letters and say, "My benefits are cut off; what are they talking about?"

To the particulars of the benefits and how to go about it—far more don't understand that, don't understand the facts. I think most understand that they have them.

Mr. **Buchanan.** I wondered what portion or percentage you estimate of the recruiting efforts that the veterans' information programs are meant to undertake would be completed by them, what would remain undone?

Mr. **Deal.** Well, basically they continue to informally think as far as the information goes, yes. As we state, most veterans probably know about the benefits but then also as part of the VCI program mandates, once a person knows they—say, they come into your office, then it is anyone's guess as to where it will go from there. Will it be health care problems, employment, more than likely education, and anything that could be developed with that, so the need for that type of program continues on.

Mr. **Ford.** It occurs to me that you are talking about going out and informing everyone and once they have been informed, that does the job. But the experience we have had with the recent recession and impact that has had on people changing their ideas about how they are going to live the rest of their lives has indicated to us that veterans were coming back to school who, in an area like mine, were able to get relatively good jobs when they came out of the service. They got married, started families, accepted a lot of responsibilities, and then discovered when things tightened up that they really didn't have much of a base under them for their future. The thing is they probably were counseled at some stage before they became interested in education about education benefits, and like knowing you have got benefits to buy a house before you are ready to buy a house, you don't pay an awful lot of attention to it.

I remember having to sign that I was counseled about pension rights and everything when I was discharged and all I wanted to do was get home. I didn't care about pensions because I was only 20 years old; who was worrying about their pension then. I might be interested now in being counseled.

It is kind of a continuing process of keeping them aware.

Are there veterans, for example, who are now locked into a bad situation who don't realize that they have the alternative of returning to school? That is part of the problem we had when we supported the Cornell-Edgar efforts a couple of years ago, to break the 10-year limitation. I have had personal experience with people who didn't fool around in other things; they appeared to have good career goals. Suddenly, the 10 years was upon them and, they discovered they had to make a choice right now to get any part of this thing. As you have suggested, once they made that choice and they got a taste of it, they discovered, "Yes; in fact, I could go to college"—

Mr. **Deal.** That is right.

Mr. **Ford** [continuing]. "I could hack it."

Mr. **Buchanan.** Actually, my question was not intended to be a hostile one, because it occurred to me that it may be that the original purpose or mandate of the program—those purposes may have been substantially fulfilled but there may be a continuing function in other ways more or less along the lines you are saying, whether or not that is the case, and really what I was trying to get at is how much of the original purpose of this program as an incentive program, how much has been fulfilled, and whatever the answer to that is, is there a continuing need notwithstanding that?

Mr. Deal. Well, no, really, substantially, the program goals, the intents of Congress have not been completed yet.

As you have suggested, it will be an ongoing process, but initially when Senator Cranston offered the VCIP—call it VCIP; it's veterans cost of instruction payments program—it was an amendment on the Higher Education Act. The initial goal of the program was to inform veterans. The use rate of the GI bill was considerably low at that time. That was early 1970 and there were study commissions, why was this so? Two basic components of why it is so: First of all, the benefits were very low. People could not afford to use the GI bill; and, second, so many didn't know about it. Therefore, they set this program in place and with that came the outreach recruitment and retention factors of it; and so the real components of the program, the recruitment and retention outreach and so forth, are still very much needed.

I think the information now we see has informed substantially hundreds of thousands of people. Now they are coming into the programs, and the second phase kicks in with the other services that must be provided.

Mr. Cornell. Last year I recall that the Connecticut delegation asked me to talk to about 200 or 300 veterans that had come down here protesting the delimiting date. They maintained—I discussed it with them—they had not been informed about this; they were not aware until it was too late to do anything about it; and some of them were in the process then of getting an education. As you said, in many instances when they came out of school they went to work right away and that is why the effort was made to try to extend it 1 more year, because quite a few of them would have benefited from just a 1-year extension to complete their education. Of course, cost was the major item.

As you may recall, in the 1977 and the 1976 budgets there was an effort to cut the delimiting date back to 8 years. That was suggested by the administration on the argument that it would save a considerable amount of money.

Mr. Buchanan. I will be very glad if we ever reach the point where we don't use education to save money in this Government. That is one of the real problems of the Department of Health, Education, and Welfare, in my judgment, is that so many of the items of cost in the budget are uncontrollable items. When you get around to cutting HEW, which is a very popular idea around here, the main place you have to look is education, because you are not dealing with controllable items with a very high percentage of the total HEW budget.

Mr. Cornell. I think there is a nearsightedness to it, too. As I mentioned earlier, the VA said for every dollar we spend ultimately the Government gets back $3 to $6. The same argument is true when we try to develop new programs in the Older Americans Act to keep people in their own homes as long as feasible. There is overwhelming evidence that it is much cheaper to have them remain at home, but initially those programs cost more money. It is difficult to get the funds in the budget.

Mr. **Ford**. But there is an institutional difference in this place between the attitude toward those of us who were the good veterans, because we were in the war and we won. My son is a bad veteran, because he lost his war; it comes out over and over again: What I consider an incestuous relationship that exists between the Veterans' Administration, the veterans committees, and the orthodox veterans organizations of my generation who are very rapidly on their way to committing suicide like the lemmings, because they are doing absolutely nothing to recruit my son's generation to their side. They are going to wake up and discover that, while they were a tremendously potent political force when I started in politics, they haven't got the clout any more.

I would be very much surprised if I ran into a veteran officer of any kind in my State under my age, and when I get around veterans groups, the ones I belong to, I don't see very many young people, unless they are somebody's son or daughter.

This has been coming through to me very clearly, that the traditional voices for veterans that spoke very effectively when I first came here are no longer speaking for the kind of veterans that belong to the organization testifying before us now, because they have become overburdened with the problems of the people who have the political clout in their organization.

You don't get to be a national commander or State commander by advocating programs for Vietnam veterans. You have to worry about World War II and Korea, because that is where the membership is. It is a natural phenomenon, but it is something I am afraid a lot of the leadership does not recognize as a real danger to the continuing life of veterans' programs.

I have had them tell me if we can cut back on education, we can get some more money we really need to continue the subsidized insurance premiums and things of this kind. That may well be if they have 9 million potential members who just say, "We opt out." They are going to be about as powerful around here as the Spanish American War veterans one of these days. That is what happened to the Spanish American War—we lost the last one in the House 6 years ago—Barrett O'Hara, who was the great last champion that great group had. There isn't a generational continuity developing either in the Veterans' Administration, which is closely tied to the groups that justifiably take pride in the fact that they have been responsible for effectively lobbying for veterans for many years. They are not examining or identifying their constituency which seems to dictate that their constituencies are going to be over the hill on social security pretty soon and more interested in what we are doing with those programs than what we are doing with veterans' programs.

Mr. **Buchanan**. I want to say I think that is already well underway.

Mr. **Ford**. I usually put my American Legion hat on before I make that speech in self-defense.

Mr. **Buchanan**. I think that decline is well underway in many particular places it is a serious problem.

Mr. **Deal**. I think it has been talked about previously; it is the whole problem with the war and the nature of the conflicts, the political turmoil that it caused in this country. Veterans in many odd sorts of human ways were as disassociated from the conflict as anyone, although they were right in the head of it, because I suppose it is human nature they were the recipients of, in many ways, the attitude, the negative attitude about the war in general. They are the one identifiable group. I think it manifests itself through lack of support in many areas.

I think one of the things that resulted from it was the fact that the more traditional organization had a hard time understanding the attitudes of a lot of the returning veterans, and they had a hard time inviting them in and welcoming them into their clubs and organizations and posts and so forth, because they were not the mainstream and it was not a popular war.

Mr. FORD. A lot of them had long hair.

Mr. DEAL. Yes, sir, the whole image thing was wrong and a lot of the image had substance, no question about it. Then it built from there, because it was clear that there was a totally different philosophy and it wasn't really so political; it wasn't necessarily a political difference. Many Vietnam veterans, veterans of the war zone who may be supportive of the war efforts, still had a hard time going to that American Legion or VFW post, for other reasons, sociological ones; even the long hair and the whole bit—many times it was a cultural thing.

It seems to me you are right about the influence. I think that it is manifested through the trouble we have as an organization, that you deal, of course, with the delivery date issue. To me and to our organization, it is so clear an issue where you have people who have earned the benefits who for any number of reasons could not have used those benefits in that 10 years and didn't know about them, and if they did know about them were perhaps in a situation where they had to work.

I had several people that I know personally had to work two jobs in order to support their family. There was no way they could go to school until the eighth year out of service. They got to the situation where they could use the benefits, then it was too late; so many reasons why and yet not enough support and clout, if you will, to convince enough people of the need for that extension, its cost in many ways, no question about it.

Mr. FORD. Thank you very much.

Our other witness, Mr. William E. Lawson, who was scheduled this morning to testify in behalf of the American Association of Minority Veterans Program Administrators, has been tied up in the Senate and will not be able to attend, so without objection we will insert his prepared statement in the record at this point.

[Prepared statement of William E. Lawson follows:]

merican Association of
inority Veterans
rogram Administrators

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HAIRMAN:
illiam E. Lawson

ICE CHAIRMAN:
aines B. Thrower

TESTIMONY

for

Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

by

William E. Lawson

June 9, 1977

Mr. Chairman and members of the subcommittee, I am William E. Lawson, Chairman of the Board of the American Association of Minority Veterans Program Administrators and a Vietnam veteran. In addition, I serve as the Associate Director of the Servicemen's Opportunity College, a concept designed to establish a network of colleges and universities to improve educational opportunities for men and women in military service. I am also charged with the responsibility of interpreting laws, proposed legislation, and regulations as they pertain to veterans affairs for over 1500 educational and training institutions and a substantial number of non-educationally related veterans affairs programs.

With your permission I will enter my statement upon the record.

AAMVPA's constituents are veterans seeking direction and the necessary skills needed to make constructive contributions to the greatness of this country. We also provide the professional and para-professional with many of the tools needed to make many of the goals and objectives of those veterans a reality. Needless to say, the vast majority of the veterans we serve are from economically and educationally disadvantaged backgrounds who have smoldered in the depths of this nation's inner cities, ghettos and barrios.

Mr. Chairman, the Veterans' Education and Employment Assistance Act of 1976 (Public Law 94-502) is a precedent setting law in that it is the first time in the history of this country that we have had a peacetime G.I. Bill. The G.I. Bill has played a major role in assisting minority veterans seeking constructive upward mobility. Had it not been for the education and training programs under the G.I. Bill many minorities would not have entered the military nor would they have aspired to the heights of success as a result of the utilization of their education and training benefits.

In all candor, Mr. Chairman and members of the subcommittee, I can honestly say had I not earned G.I. Bill entitlement I would not be sitting before you this morning articulating the effects of G.I. Bill entitlement on the minority communities of this nation. The chances were greater that I, at this stage in my life, would have been sitting before a similar bench but with the Chairman wearing a black robe. I make this point only to show that the environment in which most minority people come from, for the most part, is conducive to the kinds of activities that would eventually bring one before "THE MAN." In short, Mr. Chairman, the G.I. Bill has been the staff of life for the minority veteran community once they have become aware of the opportunities available.

Mr. Chairman, certain provisions of PL 94-502 have caused serious problems for minority veterans and those coming from low-income backgrounds. These provisions are the 85/15 ratio requirement and the two-year rule.

The 85/15 rule is causing serious problems within the low-income, educationally disadvantaged communities. Under the 85/15 provision the minority veteran not only must seek out an institution conducive to his or her needs, i.e. low tuition, varied curricula and various other student services, but the veteran must now make sure that the various courses of study do not exceed the 85/15 percent ratio. Many minorities seek educational opportunities close to home for a number of reasons: They can ill afford to relocate because of the high cost of moving, relinquishing the moral and financial support that may be rendered by relatives or most importantly, giving up a job that provides the major support for the family. Therefore, these factors and others make it extremely difficult for the minority veteran to utilize earned entitlement under this provision.

Although there is a waiver for "educationally disadvantaged-type courses," not all minority/low-income veterans remain educationally disadvantaged. Those that do achieve academically find it a much greater task to shake the bonds of their economically disadvantaged living conditions and background. Once the minority veteran achieves beyond what is classified as educationally disadvantaged, he or she then becomes a part of the 85/15 computation, which means that the veteran is no longer covered by the Veterans Administration waiver.

This provision, then, could force many veteran students, particularly minority veteran students, into programs or courses of study not of their choosing simply because courses such as physics, electrical engineering, mathematics, bio-chemistry and others that minority students as a whole find themselves academically unprepared for the only courses open to them.

Mr. Chairman, some might say if utilizing earned G.I. Bill entitlement presents such a problem for economically and educationally disadvantaged veterans, why don't they use other forms of student aid? I would point out to those persons that there is a certain amount of pride among those men and women who served this country. To us there is a difference between student aid and earned entitlement. In addition, many find it extremely difficult to qualify as a result of having to work and/or receiving entitlement.

Mr. Andrew Thornton, Director of the Education and Rehabilitation of the Veterans Administration, appeared before the House Veterans Subcommittee on Education and Training on March 29, 1977 and provided data pertaining to decreases in veterans' enrollment primarily based on projections through FY 1978. VA testimony indicated that they have 2,930,714 total trainees. Projected figures for 1977 are 2,189,005, and for FY 1978 2,004,600. Comparing FY 1976 to FY 1978 those figures represent a 32 percent decrease in total trainees. Total training costs in FY 1976 were $5,300,007,000; this compares to a FY 1978 projection of $3,983,452,000 or a decrease of 25 percent from 1976 to 1978. Thornton testified that the potential for abuse in our present program has been greatly curtailed largely by many of the provisions of PL 94-502. Two of these provisions are the 85/15 rule and the two-year rule, Thornton said.

Mr. Chairman, and members of the subcommittee, I would point out to you that a vast portion of the decline in trainees and the decrease in costs are attributable to a number of other factors, i.e. the delimiting date, student attrition rates and personal problems that might have caused veterans to withdraw from education or training programs. The delimiting date alone eliminated nearly 500,000 veterans from the rolls of educational and training institutions since May 31, 1976.

Finally, if we had dropped the bomb on Japan the day after Pearl Harbor, December 8, or on Hanoi in 1964 or on Cuba in the early sixties, just think of all of the American lives and money that would have been saved. We did not because it did not appear to be the rational thing to do and all the alternatives for settlement had not been explored. If rationality is a part of the posture of this country, then why have we dropped the bomb on the majority of veterans and educational institutions of this country without seeking possible alternatives to solve the problems facing us today.

Mr. Chairman, this concludes my statement. I will be willing to answer any questions you may have.

Mr. Ford. The committee will stand in recess until next week.

[Whereupon, at 12:15 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

May 26, 1977

Dear Congressman Ford:

On May 12, I received a News Release from your office announcing that there would be several hearings on federal programs to determine how well the programs are administered and if the policies of the various federal agencies involved are coordinated. I made a call to your office and spoke to Pat Morse about attending the June 9th meeting which would include the student groups. There is a side to one program in particular, the BEOG, that must be heard. I feel it is a side that may not be presented to the subcommittee. I was told that a panel of public witnesses was full but that I could attend as a spectator. The reason for writing this is so that in case there are additional hearings on this subject that I could be allowed to voice my opinion. Please do not brush this aside as unimportant. It is important to a program that is slowly deteriorating but is vital to many. I and a group of others share this opinion and I'm sure that we do not stand alone. It would be much appreciated if your office would notify me as to hearings on student assistance and give us a chance to speak. I can be reached by phone at (301) 686-6350 or my mailing address is:
Carolyn Lee
301 S. Stuart Str.
Baltimore, MD
21221

Your time and efforts have been greatly appreciated,

Sincerely,
Carolyn M Lee
Carolyn M. Lee
Chairperson

May 26, 1977

Dear Congressman Ford:

We are a group of concerned students in a political science class at Dundalk Community College in Baltimore, Maryland. For the past five weeks the group has been researching and analyzing the Basic Opportunity Educational Grant Program. In doing this project we have tried to develop some changes and possible alternatives to the manner in which monies are allocated. We feel there is a more equitable way of determining need and distributing aid.

The major fault that we can readily see is the leniency in which the money is distributed. The procedure to qualify as an eligible student would be to fill out an application and send it back for determination of your student eligibility index. If this index number is low enough then you will be able to receive a grant, providing you meet other eligibility factors such as being an undergraduate student enrolled on at least a half-time basis. To be able to qualify for a maximum of $1,400 "through the mail" seems very likely to be susceptible to massive abuse.

The Basic Grant Program derives its legislative authority from the Higher Education Act of 1965, Title IV as amended (20 U.S.C. 1070a) and is also found under the jurisdiction of Part 190 of Title 45 of the Code of Federal Regulations. Nowhere in either piece of legislation is found a statement that scholastic achievement is a factor determining eligibility. We as students and taxpayers feel this is another means highly susceptible to abuse. The way the program is set up now makes it possible for a student to attend an institution for the sole purpose of getting the award and then never attending another day of school. This "free-ride" is feasible only because it is not deterred by a simple question of the student's grade point average on the application.

Until recently the Veteran's Administration was running into similar problems with respect to everyone abusing the college benefits the program offered. This dilemma was partially curbed by spot checking of grades and taking regular attendance. If someone was continually caught missing classes and doing poorly on tests then they were turned into their administrators. We think these types of programs are necessary and vital to maintain the education of those who could not have afforded it without this assistance. We would like to see a little bit more control over the program.

There are two major alternatives that may give the program the supervision that is necessary for it to work equitably. The first, is to give the institution the funds that would have been distributed on a federal level. Financial aid officers would hold interviews, as they do now, and could determine whether or not a student would be eligible leaving the right, power, and duty of the Office of Education to review all assessments. This would eliminate the fraud caused by the "through the mail" procedure.

The second and most important proposed alternative would be to amend the Code of Federal Regulations to include that "no payment of funds may be made unless the institution determines that the student is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which the student is in attendance." This is a proposed rule which appeared in the Federal Register on Friday, April 8, 1977 (Federal Register vol. 42, no. 68, Part III). An amendment like this is one in which we stand behind one hundred percent and feel it would definitely add the control needed to sort out those students who have potential and those who will abuse it.

This is a problem which could get very out of hand, especially with the increase in the number of eligible students versus the limited amount of money in the budget. We would like very much to see some form of change and extend our services and knowledge to you and those of you on the Subcommittee on Postsecondary Education to accomplish the changes necessary in perfecting the Basic Grant Program.

Sincerely,

Carolyn M. Lee

Carolyn M. Lee
Chairperson

OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

THURSDAY, JUNE 16, 1977

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10:30 a.m. in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Mottl, Quie, and Erlenborn.

Staff present: Thomas R. Jolly, counsel; Patricia R. Morse, clerk; Mary R. Paul, secretary; and Robert Andringa, minority staff director.

Mr. Ford. We will call the hearing to order.

Let me say to the witnesses and others here that we are extremely sorry that we have this delay this morning and that there is a probability that we will be interrupted. There was a very unusual vote at 10 o'clock, asking for a vote to go into the Committee of the Whole on major appropriations bills. Other members of the committee whom I saw on the floor are on their way back, and we have been trying to delay until they get here. Mr. Quie and Mr. Buchanan told me they would be back shortly. We would like to proceed so that we can use as much available time of our witnesses today as possible before we are interrupted.

This is the fifth in a series of hearings being conducted by the Subcommittee on Postsecondary Education in conjunction with its oversight responsibilities for Federal student assistance programs.

During the first 4 days of hearings the subcommittee has heard from the U.S. Commissioner of Education, from various officials representing colleges, universities, and State agencies, and from students and veterans groups.

Today we will hear from the Honorable Max Cleland, Administrator of Veterans' Affairs. Mr. Cleland has responsibility for the administration of the veterans' educational benefits—more commonly known as the GI bill—a program which Mr. Cleland accurately describes as "the biggest and oldest educational assistance program in the United States."

Although this subcommittee does not have legislative jurisdiction over the veterans' education benefits law, we have been charged by both House and committee rules with the responsibility of reviewing, studying, and coordinating on a continuing basis all laws, programs, and Government activities dealing with or involving domestic educational programs and institutions, and programs of student assistance which are within the jurisdiction of other committees.

Mr. Cleland, as you well know, we have been hearing about the GI bill from many of the people who communicate regularly with our subcommittee and reference has been made to veterans' education benefits by other witnesses during the course of these hearings. We are, therefore, grateful for your appearance here today. I hope this will lead to a greater understanding by you and by us, particularly of the areas of concern that have been most consistently raised by people in the education community.

Before we proceed, I would like to recognize Mr. Mottl, who is a member of the committee and who is also the chairman of the Education Subcommittee of the Veterans' Committee.

Mr. MOTTL. Thank you very much, Mr. Chairman.

If you recall, several hearings ago Al Quie, the gentleman from Minnesota, and you had asked if we would look into the prospect of possibly returning to the good old days when the moneys were paid to the educational institution, and also some moneys were paid for subsistence to the veteran. That was changed, I believe, in 1952, so I would like to have placed into the record a recap of those hearings at that time as to the reasons why it was changed.

Their reasons, basically, just to summarize, were that there were many abuses at that time; and all of the educational institutions, the proprietary universities, the junior colleges, the State universities, had recommended at that time that the benefits be paid to the veteran directly rather than to the educational institution. We have very interesting testimony before "Tiger" Teague's committee at that time, and I would like to have this material submitted into the record at this time, if I may.

Mr. FORD. Without objection, it is so ordered.

[Information furnished by Mr. Mottl follows:]

Statements from the hearing record on Veterans' Education and Training with regard to the direct payment of educational benefits to veterans beginning with the Korean GI Bill rather than the method used of directing payment for books, tuition, and fees to the educational institution as provided in the World War II GI Bill.

Education and Training and Other Benefits for Veterans Who Serve on or After June 27, 1950: Hearings Before the House Comm. on Veterans' Affairs, 82d Cong., 2d Sess. 1309-34 (1952)

Statement of Sam Coile, Assistant Administrator for Vocational Rehabilitation and Education, Veterans' Administration

The following quote is preceded by a discussion of "blind-alley training," i.e. training which contributes little if anything to a veteran's vocational objective. (1310-11)
"Mr. Coile. ...when you provide a subsistence allowance, and fix a fair average rate it may become an incentive for some veterans to get into training courses. When the allowance itself becomes the incentive rather than the training, we are going to encounter some of this 'blind-alley training,' because neither the veterans nor the schools are primarily interested in the matter of instruction. They are more interested in the monetary incentive ..." (1311)

"Mr. Rogers. ...In providing the books and supplies, do you think any money could be saved if a certain amount of money was given to these boys each year to get their books and supplies with, rather than let them get these requirements from professors in these different courses and then going to the book store? To me that is a sort of indirect subsidy to publishing houses and book stores.
Mr. Coile. Mr. Congressman, I think it is quite generally agreed that it would be much more desirable to pay the veteran an allowance and let him be responsible for the purchase of his own books and supplies." (1313)
The above quote is followed by a general discussion of how direct payment to the veteran for books may be abused. (1313-14)

The following quote is preceded by Mr. Coile's revelation that the aggregate cost (i.e. through 12-31-51) of books, supplies, and equipment was $440,959,000. (1316)
"Mr. Rogers. Now, do you not think that there can be a tremendous saving effect in that particular item alone if it was handled by letting the boy purchase his own books and supplies?
Mr. Coile. Well, I think that even if the rate of payment to the veteran should parallel our experience under [the present] law, it would still make a saving in cutting out a lot of the administrative expense.
Mr. Rogers. I had that in mind, but to me there can be a saving effected in providing the funds for the trainee or the veteran to buy his own supplies, because under the present situation . . . it is not unusual for schools and colleges to write an entire new textbook if they know they can sell it. It is not unusual for professors in a lot of these colleges to prepare supplements, because they know they can sell them . . . I think that if the veteran had the money to buy

his own books with he would resent this situation, because he would have an opportunity to actually make a little money for himself if he could trade around and buy a book cheaper than he could by going to the book store.

Mr. Coile. We think it would be very desirable . . . for the veteran to be responsible for his own purchases. Even if the equivalent amount has to be added to his monthly payment to enable him to do it, it would still be very desirable.

Mr. Teague. You might be interested in knowing that nearly all of the college groups recommended that same thing. The college administrators recommended it." (1316)

Veterans' Readjustment Assistance Act of 1952: Hearings on H.R. 7656 Before the Special Subcomm. on Veterans' Education and Rehabilitation Benefits of the Senate Comm. on Labor and Public Welfare, 82d Cong., 2d Sess. 44-269 (1952)

Statement of Hon. Olin E. Teague, a Representative in Congress from the State of Texas

"Mr. Teague. ...we have not stated as our purpose the creation of a program to subsidize educational institutions. We are not attempting to establish a Federal-aid program for schools or colleges through the guise of a veteran's program. This bill is for the purpose of aiding veterans and not schools." (44)

The following quote is preceded by description of the present system whereby the Veterans' Administration contracts with and makes payments directly to the schools. (44)

Representative Teague. ...In many ways, the system embodies the evils of cost-plus contracts and lends itself to exploitation by unscrupulous schools which are willing to falsify their records and misrepresent their costs. . . . An isolated number of schools will no doubt urge this committee to continue these procedures, since they have found their operation lucrative under this system. . . . A large part of the crime and fraud referred to in the report of the select committee was made possible by this system. It is the prime objective of this bill to eliminate these complicated and costly procedures and to establish adequate safeguards for the veteran and the public. In an effort to solve the serious problems which grew out of the present act, we have adopted a plan which provides that a monthly scholarship payment will be made to each veteran from which he will pay the school for his own tuition, fees and supplies at rates not to exceed those charged non-veterans. We believe this system will create an incentive on the part of the veteran to spend his money wisely since his subsistence allowance will be that portion which remains after his bills are paid." (44-45)

"Representative Teague. We believe that this system of direct payment

to the veteran has the following advantages:
1. It will eliminate the necessity of rate fixing and contracts and greatly reduce administrative costs.
2. It will create an interest on the part of the veteran to use his allowance wisely.
3. It will place the veteran on identically the same basis as a non-veteran.
4. It will allow the veteran to choose his own school and use his allowance in any school as he sees fit.
5. It will create an element of self-aid or self-participation for the veteran. . . .
The possibility of fraud and misrepresentation will be materially reduced. A few schools are objecting to this procedure, since they feel they can get more students and more money if they deal directly with the Government. This contention should be evaluated on the basis, 'What is best for the veteran and the public as a whole?'" (46)

Statement of Dr. Earl James McGrath, Commissioner, Office of Education, Federal Security Agency

Critics of the "Teague bill" claim that it discriminates against private and/or high cost institutions. The following quotes address this criticism.

"Dr. McGrath. ...I think it is good legislation. I believe, too . . . that the vast majority of administrative officers in colleges and universities, even in the private institutions, consider the Teague bill good legislation." (68)

Dr. McGrath relates that "the following educational associations, which include all kinds of education in this country, have testified in favor of the matter that is most at issue here, the lump-sum direct payment of stipends to individual veterans." (68)
National Education Association
American Council on Education
Association of Land-Grant Colleges and Universities
American Vocational Association
Department of Higher Education of the National Education Association
U.S. Office of Education
National Association of State Approval Agencies (68)

"Dr. McGrath. ...I think . . . that this legislation will help private schools rather than damage them, and . . . is so written as to interfere as little as possible with the internal operation of these institutions . . . [E]ducators who oppose the lump-sum direct payment . . . feel that the legislation as now drawn will deprive the relatively high cost private institutions of students who will attend, let us say, a State university at a lower fee or a municipal college at a lower fee.

. . . I believe quite sincerely . . . that this legislation will have very little effect on the enrollments in private or public institutions . . ." (68-69)

Dr. McGrath says that he supports a lump-sum direct payment because of the following:

1. The present program under Public Law 346 is "administratively, needlessly complicated, involving much red tape . . . [It also requires an] endless amount of looking into accounting procedures, auditing, attendance records, and so on, which would be completely eliminated by the direct payment to the veteran." (69)
2. The "Federal money that would not have to be expended under the simplified plan." (69)

"Dr. McGrath. ...I think the most desirable type of legislation on this matter is the type that leaves the institution of higher education alone as much as possible to govern its own welfare, and also leaves the veteran to govern his own welfare. (70) ...I think that the protection to private education is through a lump-sum payment by which the veteran chooses his own institution, whether it be expensive or inexpensive, pays his fees as other students do, and the Federal Government has little or nothing to do with the internal management of the institution." (72)

"Dr. McGrath. ...To manage a thing of the kind [the Veterans' Administration was] given to manage makes for difficulties. It is complicated, it is cumbersome, and it is time-consuming and has red tape in it. . . . If you are going to spend Federal money inside of institutions, you have got to be sure that it is spent for the right purpose. If you give it to the boy he can spend it as he wishes, where he wishes." (74)

Letter from Pearl A. Wanamaker, Washington State Superintendent of Public Instruction

"We believe that the following . . . [features] . . . of this bill [is] particularly excellent and important: . . . that payment be made directly to veterans for educational purposes rather than to institutions . . ." (103)

Letter from Larry [illegible], President, National Association of State Approval Agencies

An amendment to the "Teague bill" was introduced by Congressman Springer of Illinois. "The Teague bill, if amended by [this] proposal . . . would reverse an allowance for tuition . . . The college at the end of the term bills the student who, in turn, [illegible] the invoice for payment to the college to the Veterans' Administration." (172) The following quote criticizes this proposal. "We express unanimous approval of the principle of direct payment to the veteran. We solicit your support to defeat the Springer Amendment as we feel it is a selfish attempt by a small group of private schools to receive a larger take in Federal tuition payments and defeat the principle of H.R. 7656 in eliminating certain abuses discovered by Congressman Teagues's House Select Committee ..." (104)

Statement of Hon. Lindsay C. Warren, Comptroller General of the United States, Accompanied by Robert F. Keller, Assistant to the Comptroller General

Mr. Warren briefly comments on the studies done by Congressman Teagues's House Select Committee and by the General Accounting Office on the 1944 GI bill. He relates that the GAO study covered several hundred schools in eleven states, and that it "disclosed that questionable practices existed at approximately 65 percent of the institutions and establishments examined." (131) Mr. Warren states the following: "It is my view that these reports show conclusively that many of the educational and training institutions of this country considered the GI bill an open invitation to raid the Treasury . . . I feel that the proposal to make the allowance payable directly to the veteran presents a more realistic and practical approach to the desired objective. This will give the veteran a stake in his education; will make him aware of the cost element attached thereto; and will afford him an opportunity to see that he is fairly treated and is not charged more for services received than the amount charged non-veterans, as was the general practice under the GI bill. Also, there should not be overlooked the fact that this method of payment should result in tremendous savings as a result of the elimination of administrative detail. The vast amounts of detail encountered in the negotiation of contracts with educational institutions, the auditing and checking of monthly bills from thousands of educational institutions, and the constant review by the Veterans' Administration of cost data of institutions seeking to establish or change tuition rates or charges will be eliminated almost entirely." (132,220)

Representative Teague reads the following list of abuses from the GAO report.
"'Colleges increase tuition 300 percent or more.
University collects double tuition.
Nonresident rate of tuition paid for resident veterans.
Tuition payments by VA result in cash refunds to students.
Payments by VA to land-grant colleges duplicate payments by other Federal agencies.
Other overpayments.'" (135)
"'Tuition paid subsequent to date of last attendance; tuition paid after veteran's entitlement . . . had been exhausted; payments of tuition where veterans had registered but did not attend classes; payments obtained through collusion and fraud; tuition paid for veterans attending school under scholarships; payments of tuition

based on erroneous or excessive cost and payments of fees apparently not contemplated by statutes ...'" (136)

Statement of Eugene H. Rietzke, President, Capitol Radio Engineering Institute

Mr. Rietzke says that payments made directly to the veteran "is a means of protecting the veteran from some schools which might be unscrupulous." (148)

Statement of Bernard H. Ehrlich, Counsel, National Federation of Private School Associations

Speaking of the "Teague bill" Mr. Ehrlich says, "I think there is a saving there. . . . There is a saving both to the veteran and the school. On the school's part, there was a tremendous administrative burden [under the 1944 GI bill]." (149)

Statement of Francis H. Horn, Executive Secretary, Department of Higher Education, National Education Association

Mr. Horn lists educational organizations, in addition to the one he represents, which are in favor of direct payments to the veteran.
American Council of Education
American Association of Junior Colleges
Association of Land Grant Colleges
National Association of State Approving Agencies
American Vocational Association
National Council of Chief State School Officers
Mr. Horn says, "No educational organization, to my knowledge, appeared before the Teague Committee to oppose this principle." (159)

"Dr. Horn. ...This legislation is designed as assistance to the veteran student, and he should be treated like any other student; the legislation should not be designed to subsidize any particular group of schools with Government funds. To depart from this basic principle . . . is to open the door to . . . abuses . . . . To hold to it, moreover, is to reduce the possibility of the Federal Government's influencing or controlling the operations of our institutions of higher education. Our colleges and universities must remain free and independent . . . . [W]e support direct payment to students because we are convinced that it will cost the Government and the institution less money ..." (160-61)

The following are on record as supporting direct payments to the veteran.
Everett Case, President, Colgate University (163)
AMVETS (163, 235[illegible])
Veterans of Foreign Wars (163)
GAO (163)
U.S. Office of Education (164)
Bureau of the Budget (165)
American Council on Education (165)
American Association of Junior Colleges (165)

Joint Committee of Business Officers of the Association of Land-Grant
  Colleges and Universities and the National Association of State
  Universities (164)
Association of Land Grant Colleges (164)
National Association of State Approving Agencies (164, 232)
NEA (164)
American Vocational Association, Inc. (165)
National Council of Chief State School Officers (165)
Private school associations:
  National Association and Council of Business Schools
  National Council of Technical Schools
  National Home Study Council
  National Association of Mortuary Schools (165)
Harold Tribble, President, Wake Forest College (232)

Questionnaire on Veterans Educational Benefits, American Council on Education

"'Arguments for [Teague bill]
1. The veteran student would be in the same relationship to the institution as the nonveteran.
2. The student would be required to assume a part of the financial responsibility for his education.
3. Fiscal relationships between the Veterans' Administration and the institutions would be reduced and hence result in the proportionate reduction of possibility of control through fiscal power over institutions or programs.
4. Costly administrative overhead would be reduced both in institutions and in the Federal Government.
5. Customary sources of support of the institution would resume their normal pre-World War II status, and there would be no tendency to increase fees because federally paid.
6. Distribution of students between types of institutions would remain about the same as in a normal period without a veterans program, since this plan takes existing financial resources and adds a flat sum to them.'" (168)

Note: For a general overview of the legislation under discussion, see the excerpt from the Veterans' Administration Report on S. 3183, the Veterans' Readjustment Assistance Act of 1952. S. 3183 is virtually identical to H.R. 7656. (211-13)

Separation of Subsistence from Tuition Under Public Law 550: Hearings Before the Subcomm. on Education and Training of the House Comm. on Veterans' Affairs, 83d Cong., 1st Sess. [illegible]

Statement of Rufus H. Wilson, National Legislative Director of Amvets

"Mr. Wilson. ...During the hearings which resulted in Public Law 550, Amvets strongly supported the theory of total direct payments to veterans as opposed to separate payments to veterans and institutions.

> The wisdom of this position has, we believe, been amply demonstrated by the fact that we have as yet heard no complaints from any veteran about the system, its effects, or its administration. While this lack of complaints might well be caused by the limited time the bill has been in operation, the only other conclusion to be reached is that it is caused by the fact that Public Law 550 is a good bill." (1530)

Statement of Charles E. Eckert, Office of the Comptroller General of the United States

> "Mr. Eckert. ...The survey that our office performed and which was transmitted to the Congress disclosed many abuses arising out of the old GI bill, many of which were the result of this payment of tuition to the schools. The types of abuses disclosed were misrepresentations and overstatements of costs by the schools themselves, generally increased charges paid by the Government over those charged nonveterans, excessive charges for books and supplies, and hosts of other types of abuses. . . . All of these things lead to the inescapable conclusion in our view that a direct payment of an educational assistance allowance to the veteran with proper controls represented the best solution to this problem." (1538-39)

Statement of Francis H. Horn, Executive Secretary, Association for Higher Education of the National Education Association

> "Mr. Horn. ...The principle of direct payment was incorporated into Public Law 550 primarily to prevent the abuse of public funds which arose from the fact that the Federal Government found it necessary to contract with a large number of institutions, both public and private, in order to establish tuition and laboratory and book fees. The evidence for such abuses as did occur was abundantly brought out in hearings conducted by a special investigating committee under the chairmanship of Congressman Olin Teague, a member of the present subcommittee. By adopting the principle of direct payment the Congress has now laid upon the veteran the responsibility for seeing that the money purchases what it is intended to buy, namely, an educational benefit. The principle of direct payment, furthermore, makes it clear that the Federal Government is using veterans' education as a benefit for the individual veteran rather than as an indirect subsidy for educational institutions. I would suggest that if the Federal Government is going to subsidize higher education to any extent, it should do so in a program especially designed for that purpose and not in the form of a disguised subsidy. Finally, the principle of direct payment decreases the opportunity for the Federal Government to exercise undesirable controls over educational institutions. There are no contracts with the institution to be negotiated; there are no book store or equipment and supply accounts to be audited; indeed, the only proper contact between the Federal Government and the institution is a statistical audit of the institution's enrollment records to determine if the individual veteran is actually enrolled in the courses for which he is receiving payment." (1541-42)

Statement of Ralph C. M. Flynt, Department of Health, Education, and Welfare, Office of Education

"Mr. Flynt. ...When H.R. 7656 was under consideration by the 82d Congress, second session, the Office of Education offered testimony in support of the direct lump-sum payment of training allowances to the veteran as provided for in H.R. 7656 and in the act subsequently passed by Congress. It was stated to be our view that--

'(1)The Federal Government should aid the individual veteran, without any implication of aid to institutions; (2)it reinforces the American principle of reliance upon the full freedom of choice of individuals, without any implication of wardship; (3)it greatly simplifies administration of the act by eliminating the numerous and highly detailed contractual and other relationships of the Federal Government with educational institutions and training establishments.'

In taking the foregoing view with regard to H.R. 7656, the Office of Education established the same position it has held toward other proposed Federal legislation for the aid of students, viz, that it is good educational policy to create a situation in which (1)the student has the same freedom of choice that he would have if the funds were his own, (2)there is a minimum of Federal involvement in administrative and educational operations on campus, and (3)overall administration is relatively simple and economical." (1603-04)

The following quote relates more to the lump-sum payment aspect of Public Law 550 than to the direct payment aspect.

"Mr. Flynt. ...It is our observation that Public Law 550 has resulted in greatly simplifying both Federal and institutional administrations. While administrative problems are bound to develope in any large-scale program, we believe that the problems which have been met in the administration of Public Law 550 are infinitely less than those created by Public Law 346." (1607)

"Mr. Flynt. ...Under Public Law 346 the University could charge its catalog rate or enter into a contract with the Veterans' Administration whereby it would utilize a cost accounting formula by which to compute the costs.

Mr. Hagen. Might it be in excess?

Mr. Flynt. It might be. If you chose to do that, that meant many thousands of contracts had to be drawn. Many of the public institutions elected to enter into a contractual arrangement rather than to charge their flat rate." (1623)

Statement of Frederick L. Hovde, President, Purdue University-Representing the Association of Land-Grant Colleges and Universities

"Mr. Hovde. ...Among other factors which caused our committee to believe that a direct educational grant to individual veterans would be widely acceptable to all types of educational institutions was the fact that a similar proposal for a general Federal scholarship bill had been widely reviewed by representatives of public and private educational institutions. It was generally accepted by those who participated in the discussions as the soundest basis for such a program. There was no indication in the public hearings on Public Law 550 that this was not the case." (1625)

...[O]ur association strongly supports the present method of making payments under Public Law 550. This is a direct scholarship or grant-in-aid to the veteran who wishes to continue his educational program presumed to have been interrupted by military service . . . It also has the major advantages of economy of administration, of a minimum of interference with education through the fiscal route, and of exercising a minimum of interference on the American system of higher education--including the normal pattern of support of higher education and the normal factors which influence the student in his choice of institution." (1626)

Statement of M. D. Hobley, Executive Secretary of the American Vocational Association

"...On behalf of the membership of our organization, we wish to again reaffirm our position in favor of a standard monthly scholarship payment made directly to the veteran . . . Early in February 1953 the AVA made a survey among vocational leaders in every state in the Nation in order to obtain their opinion about the provisions of Public Law 550 and educational benefits for veterans. . . . The overwhelming majority of vocational leaders are in favor of a single monthly scholarship, payable directly to the veteran." (1642)

Legislation to Provide GI Benefits for Post-Korean Veterans: Hearings Before the House Comm. on Veterans' Affairs, 89th Cong., 1st Sess. 2909-3008 (1965)

Statement of J. Warren Davies, President, Lincoln Technical Institute, and of the National Association of Trade and Technical Schools

"We strongly believe that any new GI bill for post-Korean veterans should contain the following . . . which appeared in the Korean GI bill: . . . The proposed legislation, in the judgment of nearly all of us in the educational field, should provide for the payment of benefits directly to the individual veteran. The veteran would then have the opportunity

to attend the college or school of his choice. Experienced educators are so uniformly in favor of this procedure that we want to endorse strongly a provision for direct payment to the veteran rather than to the school." (2998)
A statement identical to the above was also made by Jack H. Jones, President, Jones College, Jacksonville, Florida. (3008)

Separate Tuition Payments for Vietnam Era Veterans: Hearings Before the Subcomm. on Education and Training of the House Comm. on Veterans' Affairs, 93d Cong., 2d Sess. 2325-31 (1974)

Letter from Donald E. Johnson, Administrator of the Veterans' Administration

"...Historically, under the World War II GI bill program, the cost of a veteran's tuition, fees, books, supplies, and equipment . . . was paid directly to the educational institution. This required contracting with the schools, a method found most unsatisfactory and subject to much abuse. A House select committee made a far-ranging study of the overall operations of the World War II program which turned up many abuses of the tuition payment system, including veteran enrollment aimed at financial gain rather than serious educational intent with resulting exploitation of the veteran as well as the Government. As a result, when the Congress enacted the Korean conflict program, as well as current law, it inserted a direct payment system under which the veteran was paid an educational assistance allowance designed to meet, in part, the expense of the veteran's subsistence, tuition, fees, books, supplies, and equipment. This had the desirable effect of requiring the veteran to have a stake in his own education." (2327)

Statement of Odell W. Vaughn, Chief Benefits Director of the Veterans' Administration

The following quote is preceded by references to the two studies done ---by the House select committee and the GAO---on the abuses of the WWII payment system. (2329-30)
The studies "showed that in the earlier program all manner of irregular tuition payments occurred. Tuition was paid subsequent to the date of a veterans last attendance, tuition was paid where the veterans had registered, but did not attend classes; tuition was paid for veterans attending schools under scholarships; and tuition payments were based on erroneous or excessive costs." (2331)

Mr. MOTTL. Also I would like to join with my distinguished chairman in welcoming this outstanding new Administrator of Veterans' Affairs, Max Cleland. It is my humble opinion that Max Cleland will be the finest Administrator that the Veterans' Administration will have or ever had. I am looking for great things from him, and I know that he has been very cooperative with the Veterans' Affairs Committee to date. I know he is going to give new direction and dimension to the Veterans' Administration.

I have had the opportunity to read his outstanding statement beforehand, and I think the subcommittee will look forward with great interest to his suggestions and his summary of the Veterans' Administration work, especially the educational benefits for veterans.

I think he is going to suggest, and we are looking forward to that testimony, how the Office of Education and the Veterans' Administration can work more closely together. So I would like to join with our distinguished chairman in welcoming you today, Mr. Cleland. I know we are all working together to clear up the scandalous abuses that have taken place in the last few years. I think we are on the right road, and perhaps we will have to make some minor adjustments which we will be marking up in the very near future in our subcommittee. We are all looking forward to your testimony this morning.

Thank you, Mr. Chairman.

Mr. FORD. Thank you, Mr. Mottl.

I would like at this time to invite the testimony of Mr. Max Cleland, Administrator of Veterans' Affairs. He is accompanied this morning by Guy McMichael, General Counsel of the VA; Dorothy Starbuck, Chief Benefits Director; and Andy Thornton, Director of Education and Rehabilitation Service, Department of Veterans' Benefits.

Without objection, the prepared testimony of the Director presented to the committee in advance pursuant to the committee rule will be inserted in full at this point in the record and, Max, you can add to it, supplement it, or summarize, as you are most comfortable with.

I might say at the outset that I spent some time reading it last night, and it is a very thorough document that has stimulated me to ask some questions.

[Prepared statement of Mr. Cleland follows:]

STATEMENT OF MAX CLELAND
ADMINISTRATOR OF VETERANS AFFAIRS
BEFORE
SUBCOMMITEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

JUNE 16, 1977

Mr. Chairman and Members of the Committee:

Thank you for inviting me to appear before your Committee so that I can tell you about the GI Bill, its accomplishments and its problems. As you and your colleagues have struggled with the complexities of student financial aid, I am pleased to relate to you how the VA has administered the biggest and oldest educational assistance program in the United States.

The GI Bill was enacted in 1944. This means that we have accomplished more than anybody. We have helped more students (17.1 million veterans); we have disbursed more funds ($42.4 billion); and we have seen more fraud (known GI bill overpayments are currently 463 million dollars). We have also tried longer and harder than anybody to overcome abuses. It is important to put this in perspective because there is a widespread notion that it is the modern generation which is "ripping off" the government, that it is certain schools and Vietnam veterans who are leading the way to record abuses under the GI bill.

This is not so. When the original GI bill was just four years old, the abuses and scandals had reached such proportions that there were several inquiries and an investigation, including a Presidential message and Congressional hearings, culminating in the second edition, the so-called Korean GI Bill. Today's abuses are somewhat diffferent, in part because of our past efforts to overcome past abuses. Our problems continue and they will cause me to devote the bulk of my testimony to problems of administration when I would much prefer to tell you about the millions of veterans who have benefited from the educational benefits enacted by a responsive Congress and provided by a grateful nation.

With your permission, I would like to enumerate at this point some of these accomplishments, facts and data, to remind all of us that most of the time, for most beneficiaries, and for most schools and colleges, the program has more than 30 years of smooth and successful operations, with no serious charges of federal interference by the Veterans Administration.

Background about the educational assistance programs offered by the Veterans Administration

Educational assistance to facilitate a veteran's readjustment has been part of American life for 33 years now. Over 17.1 million veterans have received educational assistance under the GI bill since 1944. This includes 7.8 million under the World War II GI bill, nearly 2.4 million under the Korean conflict GI bill, and more than 6.9 million under the current GI bill.

The Veterans Administration believes the impact of the GI bill on American society cannot be underestimated. For each dollar spent in educational benefits (which for the three GI bills now exceeds $42.4 billion), it has been estimated that the Federal Government has received from $3 to $6 in additional tax revenue from veterans whose education has given them increased earning capacity. As the Bradley Commission concluded in 1956:

> By any standard, the readjustment program*** was one of the greatest efforts in human history to assure the well-being of millions of persons. ***The Commmission believes there is little question that the veterans' education program has been a great benefit to millions of veterans and to the Nation. The veterans' education program was a major contribution to the national welfare, and the country would be weaker educationally, economically, and in terms of national defense, if educators, veterans' organizations, the President, and the Congress had not seen this new and momentous educational enterprise.

It should be noted that in fiscal year 1976, the Veterans Administration expended almost $5.7 billion for post-secondary student educational assistance, an amount which represents 53 percent of all such Federal expenditures.

Under the current system of educational benefits, enacted as Public Law 89-358, effective June 1, 1966, and subsequently amended in 1967, 1970, 1972, 1974, and most recently in 1976, over 6.7 million veterans have taken advantage of their GI bill benefits. Under the dependents education program, over 314,000 survivors and dependents have received educational assistance. The current program provides educational benefits for a myriad of education and training courses for veterans as well as wives, widows, and war orphans.

Individuals receiving educational assistance allowances may attend approved courses at colleges, universities, business and technical schools, high schools and, in some cases, even schools below the high school level. Assistance may also be provided for on-job training, farm training, flight training, and correspondence courses.

Figures through April 1977 indicate that Vietnam era veterans have participated in VA educational assistance programs at a greater rate (64.7 percent) than the final participation rate for either the World War II GI bill (50.5 percent) or the Korean conflict (43.4 percent). Of particular note is college - level participation. Comparing the trainees from the three major periods, we find that, of the total eligible veterans, Vietnam era veterans have a 37.7 percent college participation rate, Korean conflict veterans 22 percent, and World War II veterans 14.4 percent.

The World War II GI bill directed the VA to make direct payment to schools for the cost of a veteran's tuition, fees, books and supplies not to exceed $500 for an ordinary school year in addition to a monthly subsistence allowance.

A large part of the problems with the WW II bill stemmed from the fact that payments for tuition and fees were made directly to the institution. I would like to quote now from the House Select Committee to Investigate Educational programs under the GI bill. In 1952, that report had this to say:

> In view of the waste, abuse and inefficiency which occurred during the World War II program, it would be grossly unfair to veterans of the Korean conflict, and to the Nation as a whole, to extend the present program without corrective action. Veterans of the Korean conflict are no less entitled to readjustment benefits than veterans of World War II; however, a new group of veterans should not be exposed to the exploitation which has plagued the World War II program. A sound educational readjustment program, unhampered by blind adherence to the past, taking full advantage of the experience gained during the last 7 years should be devised, employing adequate safeguards against abuse to the end that veterans of the present conflict would be entitled to a period of education and training consistent with that period which they may have lost because of service during a period of hostilities. The scholarship allowance should be sufficient to maintain a veteran student under reasonable and normal circumstances in a reliable educational institution with customary charges for nonveteran students used as a guide.

Based upon our experience with the previous two GI bills, our current program, Public Law 89-358, as amended, provides for the direct payment to the veteran to meet, in part, the expenses of the veteran's subsistence, tuition, books and supplies. The payment now provided is intended to give the veteran essentially the same level of support afforded the World War II veteran, when VA paid an amount toward tuition and fees, and a subsistence allowance.

Any thoughts about changing from our present system of payments to the World War II system should be approached with extreme care and detailed examination. Otherwise, it is possible that we may be exchanging one set of problems for an even worse set.

Presently, the VA administers programs for four major groups of individuals. The largest and best known group is the Chapter 34 veteran or all those veterans training under what is called the GI bill. For fiscal year 1976, there were 2,821,514 veterans in training under the GI bill. This is, by far, the largest group in receipt of veterans' educational benefits. The next largest group is eligible dependents of veterans who died of service-connected causes or who have a service-connected disability rated permanent and total. This group includes both eligible children and eligible spouses. In Fiscal Year 1976, there were 99,751 eligible dependents in training. We also administer an education program for veterans who have a compensable service-connected disability and who need special rehabilitation benefits to overcome the vocational handicap imposed by their disabilities. A total of 29,449 veterans engaged in this vocational rehabilitation training during FY 1976. Our last category consists of the group referred to as Post-Vietnam Era veterans. This category generally includes veterans who first entered upon active duty service on or after January 1, 1977. This latest program came into being with the enactment of Public Law 94-502. Participation in the program is voluntary with the participant to contribute funds which will be matched by the Veterans Administration on a two-for-one basis. The Department of Defense may contribute any additional amount to a participant's account. As yet there have been no trainees in this program.

The total number of veterans and dependents in training for Fiscal Year 1976 was 2,950,714.

Expenditures for education benefits in Fiscal Year 1976 rose to $5.3 billion, the highest since the original World War II programs were enacted in the early 1940's. The Fiscal Year 1976 figures represented an increase of 20.3% over FY 1975 expenditures which amounted to $4.4 billion.

And, Mr Chairman, it is no secret that we have also had a problem with increasing overpayments. I don't mean to make light of the serious subject of federal overpayments, but you may recall that Willy Sutton, the bankrobber, when asked why he robbed banks, replied simply "That's where the money is."

Thus, in this sense it is understandable that the Veterans Administration has a problem of overpayments which is larger than the defaults in the Guaranteed Student Loan Program. We have been spending the money longer and, in recognition of the years of service by veterans to their country, often under hazardous conditions, the benefits under the GI bill are larger and more generous than those under Basic Grants, Supplementary Grants, and Guaranteed Student Loans.

The GI bill is an entitlement of up to 45 months; it is not based on need. Thus a single veteran may receive $292 per month for a possible total of about $13,000. Out of this he pays his own tuition, books, supplies and living expenses. If he has one dependent, the monthly payment is $347, with two dependents $396, plus $24 per month for each additional dependent, thus the $13,000 could be as much as about $19,000.

OE programs of student financial aid are different. Most are based on need. The loan programs require repayment, and the grant programs are less generous. As I understand it, the two largest grant programs are Basic Educational Opportunity Grants (BEOG) and Supplementary Educational Opportunity Grants (SEOG). BEOGs have averaged about $800 per year per student although the theoretical normal four-year entitlement could run to four times $1400 or $5600, soon to be expanded to $1800 or $7200. Supplementary Educational Opportunity Grants are for "exceptional financial need" with a maximum of $4000 overall, or a ceiling of $1500 in any single year.

These are large, generous, fairly new programs, but they are not nearly as generous, nor are they intended to be as generous as the GI bill. They have fewer participants, smaller appropriations and differ administratively as well as in philosophy and intent. All of them are federally funded and all of them are subject to abuse. Since the GI bill is much, much larger, it also is more attractive to proper and improper use.

The fact remains, Mr. Chairman, that our programs are the focus of attention of all sorts of people, exploiters of veterans as well as those veterans who want to exploit the program for income maintenance purposes because the VA and the GI Bill is "where the money is."

It so happens that just before the 30th anniversary of the GI Bill, the Office of Education awarded a contract to the Brookings Institution to study the overall question of Private Accreditation and Public Eligibility. You are probably familiar with this 1974 report, usually known as the Brookings Report, or the Orlans Report, because Harold Orlans was the senior author.

That same year there also was published the so-called ETS Report, the report by the Education Testing Service on: Educational Assistance to Veterans: A Comparative Study of Three GI Bills, published as Committee Prints by the House and Senate Committees on Veterans Affairs, September 1973.

Both of these reports found good things as well as bad things to say about the Veterans Administration (and about the Office of Education) but they noted that the VA was not exerting federal control, was not interfering in the educational affairs of schools and colleges. That is an important finding. You are familiar with the problem: The Office of Education, just like us, is prohibited from interfering in the internal affairs of schools and colleges, including curriculum and content. We respect this and have been instructed to rely on state authorities and on private accrediting bodies, many of which unfortunately, as the two studies indicated, had not turned out to be sufficiently reliable. If they were sufficiently reliable, we would not have witnessed nor had to worry about abuses and fraud at the federal level.

I know that the members of the subcommittee have wrestled with this problem because there is a whole volume of hearings (1974) on "Accreditation" as part of your deliberations which culminated in the Education Amendments of 1976. This new law contains some sharp increases in institutional accountability, just as was ordered by the Veterans Education and Employment Assistance Act of 1976.

What happened in 1976 is that Congress got just a bit angry [illegible] abuses and overpayments. The veterans committees which write our laws told the VA to get tough, and limit the opportunities for abuse. They provided such tools as a strengthened 85-15 provision, and two-year rule as well as some Truth-in-Catalog provisions which are going to become more visible as future editions and revisions of school and college catalogs come off the press. Finally, the long-standing requirement that a veteran student make satisfactory progress towards his educational or vocational objective as a condition for continued receipt of GI bill funds was strengthened to insure that Federal monies are dispensed to serious students.

At the same time last year, the education committees cracked down on abuses in the loan programs, toughened the so-called LST provisions (Limit, suspend and terminate), and enacted a somewhat different but similar version of truth in basic institutional publications (without mentioning the word catalog or bulletin.) These mandatory disclosure provisions become effective only on July 1, 1977. Similarily, to avoid abuse and overpayments, the 1976 Higher Education Amendments require that students make satisfactory progress--a basic requirement of the GI bill for over 20 years.

In short, we at the VA are getting some heat right now because the Congress gave us rather tougher instructions than it gave the Office of Education and made them effective much sooner. Undoubtedly, the very short period the Agency was granted by Congress before implementing those provisions aimed at reducing abuse caused problems. This left little time for consultation with affected schools. In short, we were specifically required by law to implement complex provisions very quickly and rigorously.

In a way, however, there is nothing terribly new about this leadershin we are being asked to assume. Our programs are older, as I said before; we have had more abuses, and we have worked with the Congress longer in overcoming a great variety of abuses over the past 30 years. I would like to explore just a bit of this history, always keeping in mind that I would much prefer to speak about the accomplishments of a truly innovative, broad-based educational program which has transformed American higher education. It has changed not only our notions of expanding educational opportunity but has affected the policies of other nations. It is reflected in the very change in terminology: We used to speak of higher education and now we call it Postsecondary education to indicate the broad scope of activities which are being stimulated and encouraged with federal funds. Again, the GI bill has been a pioneer here because it always has included vocational and technical education, apprenticeship and other On-the-job training, two-year colleges and graduate education.

This means great diversity, greater diversity even than President Magrath mentioned in his testimony in which he upheld the many variations in higher education. At the VA, we have some three decades of experience in administering an enormously large program which serves veterans not only in higher education but also in the many other settings for which we also continue to seek the maintenance of quality education and standards.

During these three decades we have worked with Congress in the periodic reforms and changes in the GI bill which sought to achieve several things and have in fact achieved them with increasing success:

A. Freedom of choice. The GI Bill provides an entitlement which the eligible veteran is free to take almost anywhere he pleases. He can go to a vocational school or to college, to apprenticeship or to high school if he lacks a diploma. He gets a fixed, rather generous monthly stipend (particularly when compared with other non-repayable forms of Federal assistance) out of which he pays his own tuition and buys his books, just so long as he attends and makes orderly progress toward his stated objective at an approved course of study which may be at a public, private or proprietary institution.

B. Counseling and Guidance. We treat the veteran as an adult, leaving him free to initiate a request for counseling, free to decide on his educational objective. We hope that he will make a suitable choice and that he will truly benefit from his entitlement. We offer assistance to those who want it.

C. Reasonable progress as a condition for GI bill payments. We make minimal demands in terms of reports to be filed by the veteran, but we do expect him to make reasonable progress toward his educational objective. In adopting the original GI Bill, Congress clearly rejected the "Bonus" or income approach for our returning veterans and instead authorized an educational readjustment program where payment is contingent upon the veteran making reasonable progress toward a specific educational or career objective. This Congressional intent was not only reaffirmed in the 1976 GI bill amendments but also in new section 497(e) of the Education Act of 1976.

It is clear that we are having some problems with institutions which do not insist on progress and appear to be violating their own standards. Their catalogs say one thing, and their practices differ. Whatever the rationale for such policies, it has become obvious that in many cases veterans could receive full time benefits for up to five full school years and yet never pass a single course nor make visible progress toward their stated objective. Thus it was not unexpected that the Congress directed us to monitor these matters more closely through federal compliance visits, through the state approving agencies, and through strengthened rules including the new Truth in catalog provisions.

D. Personal Responsibility. The veteran is expected to pay his own tuition, buy his own supplies, manage his monthly federal payment without explicit directions from the VA. This is a shift from the original version of the GI bill (1944) which provided for the institutions to bill the VA for tuition, while the veteran took care of his own living expenses under a much more modest stipend which was reduced if the veteran was employed. The abuses under this old system were so great that the President recommended and the Congress enacted the present version which funnels all payments to the veteran who pays his or her own bills.

Veterans like other students, have shown a preference in recent years for low-tuition schools, something we leave to their choice as we always have. (Those students wishing to attend higher cost institutions, however, are eligible both for federal insured student loans as well as direct GI bill education loans of up to $1500 a school year.)

E. No Direct Federal control. The VA has avoided interference in the educational policies of educational institutions and has relied instead on private, voluntary accreditation and on the state approving agencies. Accreditation includes a linkage with the Commissioner of Education who must determine the reliability of accrediting bodies; state approval operates at the direction of the governor with federally enacted standards as a floor but not as a ceiling. Each state approving agency may insist on additional criteria, in keeping with the federal system and pluralism in American society. It should be noted that the Brookings Report as well as the ETS study found serious weaknesses in these nonfederal systems of quality control.

It should also be acknowledged that from the very beginning in 1944, the law has always attached terms and conditions on when and under what circumstances federal payments would be made. This was to assure that the intent of Congress is followed.

F. Consumer Protection. The VA has a twofold responsibility: To protect the veteran student from being exploited and also from exploiting the program. In the early days, for example, some veterans enrolled in avocational/recreational courses, in personality development and dancing lessons, which led to legislative changes so that such courses are now generally barred. Today abuses often focus on various schools competing to offer the least restrictive conditions under which a veteran (and ultimately the school) may draw a substantial monthly Federal stipend. Such arrangements appeal to schools seeking increased tuitions or other governmental funding based on their student enrollment. They also appeal to those veterans primarily seeking income maintenance rather than an educational or vocational objective. Congressional enactment in recent years has thus sought to reduce the more flagrant opportunities for such abuse as well as to offer consumer safeguards to protect the majority of veterans seriously seeking quality education and training. Such provisions include more liberal refund policies, truth in school catalogues, demonstrated job placement success in reaching vocational objectives and reliance on provisions designed to allow the free market mechanism to provide the worth of courses to others than just those with available Federal dollars to spend. As Administrator, I am also directed by law not to approve the enrollment of veterans in any institution which employs a false, deceptive, or misleading advertising or enrollment practices.

In sum, the law directs us to protect veterans from exploitation just as we are directed to stop abuse of the programs by veterans who think it is an income transfer business rather than a program with serious educational and career objectives.

G. Efficient administration. The GI bill includes an allowance to schools and colleges for the processing of veterans enrollment papers. We have learned that institutions are eager to certify that the veteran has enrolled, that his subsistence payments are to begin, and also to collect the institution's own reimbursement. Many of these schools and colleges have been considerably slower to fulfill their end of the bargain (as they must under the law) which is to notify the VA promptly if a student drops out or ceases to make satisfactory progress. Slow or non-existent notification by schools contributes to our substantial overpayment problems.

We do not believe that these statutory requirements constitute improper interference in the internal affairs of the institutions; they start the certification by telling us three things: (1) the veteran is enrolled and all is well; (2) please send the money, and (3) we must let you know if things go wrong and the veteran is not seriously pursuing nor making reasonable progress toward his stated objective. Too often schools fail to let us know about the last part and that is where many of our troubles originate, both in our experience and in the report by the General Accounting Office.

The Education Amendments of 1976 seek to deal with the same problem; implementation of new section 497(e) requiring satisfactory progress has now been published as a draft regulation, and we note with interest the attempts by OE to implement a provision with which we have had difficulties for several years. Until recently, we had this kind of provision, and our experience showed that the kinds of regulations now being proposed by OE can be ineffective in practice.

On the basis of this experience, we recommended to the Congress in hearings held before the House Veterans Affairs Committee, Subcommittee on Education and Training, that certain requirements in the law, concerning the student's progress, should be made more specific. Not unexpectedly, schools have complained quite openly about the satisfactory progress requirements of both the Veterans Administration and the Office of Education.

The present hearings before your subcommittee on postsecondary education, Mr. Chairman, offers an opportunity for Congress to help the schools and the two agencies arrive at a common understanding of standards of progress which are so vital to the proper administration of our programs, OE programs, and would even help the Social Security Administration in their student aid program.

Should you want to pursue the matter further, there are other areas where our experience may be useful to this subcommittee in its deliberations which must walk the narrow line between the need to avoid federal control of schools and the equally compelling need to assure that the federal taxpayers hard earned dollars are spent in the manner intended by law. Mr. Chairman, you have expressed an interest in the degree of coordination that exists among various federal agencies. Consistent with the requirements of our statutorily directed mission, we have attempted to coordinate with other agencies on matters of mutual concern. While there has been considerable cooperation obviously more can and needs to be done.

We also suggest that the Federal Interagency Committee on Education, under the leadership of Dr. Berry, could fruitfully explore this area of common concern. We have some examples of good and effective cooperation between OE and VA, and we look forward to more of them. Our joint response to problems occasioned in 1975 by a certain Illinois correspondence school in significant receipt of both VA benefits and federally insured student loans is one example. I would also like to insert for the record at this point a brief description of some of our efforts:

COORDINATION WITH OTHER AGENCIES

HEW

The Veterans' Cost-of-Instruction (VCI) Program is one program where coordination with the Office of Education is evident. Statutory provisions outlining the duties of our Vet Rep on Campus Program specifically recognize and provide for the separate functions of the VCI program. Enactment of Public Law 94-482, Education Amendments of 1976, on October 12, 1976, changed the school eligibility criteria for VCI funding to take into account those veterans whose educational assistance was terminated by the June 1, 1976, delimiting date. Pursuant to P.L. 94-482 the VA furnished data concerning such veterans to the Office of Education. Members of both offices worked together to develop the required data which is now being used by OE to verify VCI fund applications from schools. Furthermore, coordination between VA personnel and the college veterans' affairs officers, whose positions are in part funded as a result of the VCI program, is carried out at all levels.

In the development of regulations for the VA Education Loan program (which first requires that a veteran has unsuccessfully sought a federal insured loan), we worked closely with the Office of Education loan experts. Their knowledge in this area was an invaluable resource for us and helped us immensely in the development of our Education Loan program.

We also conferred with the Office of Education in connection with the expanded 85-15 rule. Utilizing discretionary authority granted by Congress we decided to waive counting of Federal Assistance except for Basic and Supplementary Educational Opportunity grants (BEOG and SEOG), and with respect to those two programs, we granted a waiver of the requirement to count BEOG and SEOG until June 30, 1977, which was recently extended until June 30, 1978. OE personnel provided us the specific information about BEOG and SEOG that enabled us to formulate the waivers we ultimately granted.

We also coordinate benefits received under the VA's veterans' rehabilitation program and the State-Federal rehabilitation program. A formal interagency agreement to that effect between VA and HEW was most recently updated and revised December 18, 1975.

FAA

Much policy relative to GI bill flight training is based on recommendations and information solicited from the Federal Aviation Administration. Although the law directs that VA is to make policy regarding GI bill flight training, we seek and make good use of FAA's suggestions and advice.

FTC

VA has an ongoing agreement with the Federal Trade Commission to utilize and to inform them of violations or suspected violations in the area of deceptive or misleading advertising by schools. The VA also testified before the FTC in its consideration of a trade regulation rule covering proprietary for profit schools.

DOL

The apprenticeship standards required for GI bill approval are those of the Department of Labor. These standards are spelled out in a publication put out by the Bureau of Apprenticeship and Training within DOL. As warranted, we refer technical questions concerning these standards to the bureau for advisory opinions.

DOD

Since many persons on active duty use their GI bill benefits, we must work closely with employees of the Department of Defense. We supply elements within DOD with informational pamphlets so that all the troops will get the word about their GI bill benefits. With the introduction of the new chapter 32 voluntary-contributing program, we have been working with DOD in order to implement it.

Mr. Chairman, some testimony before this subcommittee suggested the lack of coordination of the state approving agencies with other state agencies, for example a state board of higher education. We hope this is not so but it is up to the Governor of each state to designate the state approval agency and to direct its work, something in which the VA cannot and should not interfere.

Similarly, it is important to observe that a State Approving Agency may impose standards which are higher than those required under federal law, again reflecting the decentralized federal concept of government. This means that the charge that some state approving agencies are exceeding the instructions of Congress is not valid, because the law explicitly acknowledges the right of a state to impose such additional standards as it decides.

Some states have tough licensing laws and some do not. Some states combine licensing with approval for veterans, and some do not.

What we at the VA can do and are hoping to do better is to lend a helping hand toward coordination so that the various state approving agencies can and will more readily exchange information about the strengths and weaknesses of schools and colleges. I met recently with representatives of the State Approving Agencies and have approved a plan for regular contact with their officials on matters of mutual concern. This is very important as we see the increase in interstate and geographically remote locations, an educational trend we respect although it clearly makes our work more complicated.

The VA, as you probably know, was one of the sponsors of the two national conferences on the protection for the consumer in education, convened by the Education Commission of the states and by FICE, and also is a member of the Federal Interagency Committee on Education which issued the report Toward a Federal Strategy for the Protection of the Consumer in Education. The VA has noted the various recommendations for the establishment of better information sharing regarding the integrity of educational institutions. The intent is to have fewer cases of a school losing its accreditation while its state approval for veterans blissfully continues--or vice versa. We urge the implementation of this kind of clearinghouse which the Commissioner of Education announced on April 24, 1975, was to be established.

The rapid proliferation of branch and remote campuses has posed serious problems for the Veterans Administration. The Congress, in the Veterans Education and Employment Assistance Act of 1976, has given us several specific instructions on how to deal with problems related to this geographic spreading out. A classic example is where one midwestern college with an enrollment of about 100 veterans in less than a year opened up dozens and dozens of branch campuses all over the country (usually in local motels) with virtually an all veteran enrollment totaling over 13,000 students. We have been confronted by a series of moves which are under way which make it difficult to sort out the unethical, money-seeking operators from the genuine educational innovators. The voluntary accrediting associations are finding it difficult to cope with these changes, and so are we. Late last year, the Council on Postsecondary Accreditation (COPA) noting the "availability of dollars" under the GI Bill concluded that there was "increasing evidence that at least a handfull of colleges and universities apparently have established off-campus degree programs that are not equivalent academically to similar programs on campus.

and further that they have allowed these off-campus programs to operate without adequate supervision from the sponsoring institution."

The regional accrediting bodies permitted new satellite campuses to come into being, bringing their home-campus accreditation with them, as if quality control and standards were portable and could be inherited by the distant offspring without further evaluation. We understand that this policy is now being reexamined by the regionals, and they are in the process of changing it by insisting on evaluation and site visits which have not been required to date.

In the meantime, this policy was subject to exploitation, always keeping in mind that this type of instant accreditation did not require the customary self-evaluation, report, and visitation of the satellite operation. The Congress sought its own remedy. By extending to institutions of higher learning a 20 year old provision known as the "two-year" rule which instructed us to withhold veterans benefits until such geographically distant units had been in operation for a period of two years.

We know the two-year rule is not very subtle, but it has worked in the past in protecting veterans and the taxpayer from being ripped off and this is why Congress extended it to most satellite operations last year.

The 85-15 rule also has a long history and has demonstrated its utility in a narrower vocational context. The Committees on Veterans Affairs of the Congress learned of some programs with degree granting institutions which also showed tendencies toward pursuit of the fast buck, and of the exploitation of veterans. It then broadened the 85-15 rule to extend it to higher education so that all institutions had to count all types of Federal beneficiaries, including Basic Educational Opportunity Grants and Supplementary Educational Opportunity Grants.

We have worked with the Department of HEW, Office of Education, with regard to our 85-15 requirement, and we have made changes in response to the comments raised by the educational associations and OE. Congress provided for a waiver to be used on a selective basis--which is how we are using it. We certainly are entertaining requests, and our regulations grant waivers.

Congress also permitted a simplification in the way we counted various federal programs. We learned that most institutions do not keep track of their BEOG and SEOG beneficiaries by course, the way the VA keeps track of its beneficiaries; accordingly the VA granted a temporary waiver of the requirement to count BEOG and SEOG until June 30, 1977. This waiver has now been extended to June 30, 1978, in response to the realities of the situation--the schools have not yet changed their method of counting--and in response to the requests by the educational associations.

The role of the VA is difficult because we are now doing some of the things which the Office of Education will have to do during the months ahead. Our instructions from Congress have earlier effective dates and are tougher than similar provisions in the Education Amendments of 1976, so that the VA is perceived to be insensitive by many in higher education. I hope this is not the case. We want to have greater interaction with the educational community.

I am sure the Committee will be pleased to know that there is not only a statutory advisory committee on education which serves the Administrator, but that this committee will be used more than it has been in the past. There are some very recent vacancies which I plan to fill in an attempt to make the committee an effective link between the educational community and the VA. The Commissioner of Education, by law, is a member of this committee, and I look forward to his active participation.

We welcome the new leadership of Mary Berry as chairperson of the Federal Interagency Committee on Education. I have had one meeting with her so far, while looking forward to additional meetings during which we can work toward better coordination and cooperation. I am sure that she will appreciate, as will the members of this subcommittee, that we suffer from the perennial quandary of how much effort to put into regulation when all of us would much rather focus on the smooth, successful and responsible parts of our education (and other) programs. Similarly, the witnesses which appear before your subcommittee typically are the reputable spokespersons for responsible institutions who are understandably concerned about what they regard as needless regulation. At the same time it should be recognized that the unethical members of the educational community are not usually the ones to volunteer their testimony or to be selected by their associations as the typical speaker.

In our case, we have been told quite explicitly by the Congress and by the President to cut down on abuses and to improve our efficiency. We are making progress in both areas, just as we are making progress in our twofold approach: We want to protect veterans from being exploited by unethical practices in postsecondary education; we want to help them get full value out of their entitlement. We also want to help them understand the value of this entitlement so that they will not be tempted to abuse it simply to get the money.

We know that there are veterans who are exploiting the schools, just as there are schools which are exploiting veterans--and nonveterans. Congress has told us to move energetically to clean up this situation and that's what we are trying to do in a way which will be least disruptive to exisiting legitimate practices. In short, Mr. Chairman:

•We have continued our process of consulting the educational community.

•We have begun better liaison with the Education Division of HEW.

•We are strengthening our internal capability in the area of education.

•We have extended the waiver on BEOG/SEOG for one more year until we can work out a better solution.

•We are working with the state approving agencies to strengthen their competence and performance.

•We appreciate this opportunity to appear before an education committee of the Congress just as we have been pleased over the years to work closely with our authorizing Committees. We will be pleased to work with you as you struggle with comparable problems in the area of defaults in student loans, personal bankruptcies, and emerging abuses in the relatively new grant programs.

In summary, Mr. Chairman, veterans benefits are generally higher and more generous; this means that our programs are more attractive to those whose educational ambitions are legitimate as well as those whose intent is contrary to statute. We have helped many veterans; despite some of our current problems, we have had a long record of good relations with the educational community; I am confident that we can continue to build on this record.

This concludes my statement, Mr. Chairman. I will be pleased to answer any questions which you would care to ask.

STATEMENT OF HON. MAX CLELAND, ADMINISTRATOR OF VETERANS' AFFAIRS, ACCOMPANIED BY GUY H. McMICHAEL III, GENERAL COUNSEL; DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR; AND ANDREW H. THORNTON, DIRECTOR, EDUCATION AND REHABILITATION SERVICE, DEPARTMENT OF VETERANS' BENEFITS

Mr. **Cleland**. We are eager to respond to your questions.

First of all, I would like to add a personal note. It is an honor to be before your committee today. This is the first time I have had the pleasure and privilege to meet with you and your committee, and it is appropriate, I think, that we address the fascinating and intricate subject of the GI bill and its impact on postsecondary education, especially how we in the Veterans' Administration view the GI bill today.

Again, a personal note. I can recall when as a member of the State senate in Georgia I worked with a young Governor named Jimmy Carter to see what we could do at the State level to attract young men to use the GI bill. It was very difficult at the State level to get a handle on this whole area. Yet we ended up with legislation that enabled some men to use the GI bill. I say this so you will know that the President and I are most interested in how this program runs and how it works.

I can also add that I have met with him twice in the last month, and he has expressed strong concern that veterans' benefits go to those who are entitled to receive them and that we in the Veterans' Administration do all we can to eliminate fraud and any abuse in those programs.

The President is concerned and he is most knowledgeable about the overall impact of the GI bill, especially as it has impacted our society very favorably since World War II.

So with those general remarks, I would like to get into the testimony, Mr. Chairman. I will spare you and the committee the pain of reading it all, but there are some sections I would like to emphasize.

As you and your colleagues have struggled with the complexities of student financial aid, I am pleased to relate to you how the VA has administered the biggest and oldest educational assistance program in the United States.

The GI bill was enacted in 1944. This means that we, with the help of Congress, have accomplished more than anybody. We have helped more students—17.1 million veterans; we have disbursed more funds—$42.4 billion—and we have seen more fraud—known GI bill overpayments are currently $463 million.

We have also tried longer and harder than anybody to overcome abuses. It is important to put this in perspective, because there is a widespread notion that it is the modern generation which is ripping off the Government, that it is certain schools and Vietnam veterans who are leading the way to record abuses under the GI bill.

In my opinion, Mr. Chairman, this is not so. When the original GI bill was just 4 years old the abuses and scandals had reached such proportions that there were several inquiries and an investigation, including a Presidential message and congressional hearings, culminating in the second edition, the so-called Korean GI bill.

Today's abuses are somewhat different, in part because of our past efforts to overcome past abuses. Our problems continue and they will cause me to devote the bulk of my testimony to problems of administration, when I would much prefer to tell you about the millions of veterans who have benefited from the educational benefits enacted by a responsive Congress and provided by a grateful Nation.

With your permission, I would like to enumerate at this point some of these accomplishments, facts and data, to remind all of us that most of the time, for most beneficiaries and for most schools and colleges, the program has more than 30 years of smooth and successful operations, with no serious charges of Federal interference by the Veterans' Administration.

Mr. Chairman, I will enter the testimony from that point to page 5 in the record, if you don't mind, and will continue.

The total number of veterans and dependents in training for fiscal year 1976 was 2,950,714.

Expenditures for education benefits in fiscal year 1976 rose to $5.3 billion, the highest since the original World War II programs were enacted in the early 1940's. The fiscal year 1976 figures represented an increase of 20.3 percent over fiscal year 1975 expenditures, which amounted to $4.4 billion.

Mr. Chairman, it is no secret that we have also had a problem with increasing overpayments. I don't mean to make light of the serious subject of Federal overpayments, but you may recall that Willy Sutton, the bank robber, when asked why he robbed banks, replied, simply, "That's where the money is."

Thus, in this sense it is understandable that the Veterans' Administration has a problem of overpayments which is larger than the defaults in the guaranteed student loan program.

We have been spending the money longer and in recognition of the years of service by veterans to their country, often under hazardous conditions, the benefits under the GI bill are larger and more generous than those under basic grants, supplementary grants, and guaranteed student loans.

The GI bill is an entitlement of up to 45 months; it is not based on need. Thus a single veteran may receive $292 per month for a possible total of about $13,000. Out of this he pays his own tuition, books, supplies, and living expenses. If he has one dependent, the monthly payment is $347; with two dependents, $396, plus $24 per month for each additional dependent; thus the $13,000 could be as much as about $19,000.

Mr. Chairman, I might add this point: The President, virtually within a matter of weeks from the time he took office, disagreed with the idea that the GI bill should be cut back from 10 years from the date of discharge to 8 years from the date of discharge and put approximately $500 million in his budget, and he requested of Congress to keep the GI bill for a period of 10 years after the date of discharge.

Also, he has recommended to Congress a 5-percent increase to provide a cost-of-living increase in GI bill benefits.

Office of Education programs of student financial aid are different. Most are based on need. The loan programs require payment, and the grant programs are less generous. As I understand it, the two largest grant programs are basic educational opportunity grants—BEOG—and supplementary educational grants—SEOG.

BEOG's have averaged about $800 per year per student although the theoretical normal, 4-year entitlement could run to four times $1,400, or $5,600, soon to be expanded to $1,800, or $7,200. Supplementary educational opportunity grants are for "exceptional financial need" with a maximum of $4,000 overall, or a ceiling of $1,500 in any single year.

These are large, generous, fairly new programs, but they are not nearly as generous, nor are they intended to be as generous as the GI bill. They have fewer participants, smaller appropriations, and differ administratively as well as in philosophy and intent. All of them are federally funded, and all of them are subject to abuse. Since the GI bill is much, much larger, it also is more attractive to proper and improper use.

The fact remains, Mr. Chairman, that our programs are the focus of attention of all sorts of people, exploiters of veterans as well as those veterans who want to exploit the program for income maintenance purposes because the VA and the GI bill is where the money is.

It so happens that just before the 30th anniversary of the GI bill, the Office of Education awarded a contract to the Brookings Institution to study the overall question of private accreditation and public eligibility. You are probably familiar with this 1974 report, usually known as the Brookings report, or the Orlans report, because Harold Orlans was the senior author.

That same year there also was published the so-called ETS report, the report by the Education Testing Service on "Educational Assistance to Veterans: A Comprehensive Study of Three G.I. Bills," published as committee prints by the House and the Senate Committees on Veterans' Affairs, September 1973.

Both of these reports found good things as well as bad things to say about the Veterans' Administration—and about the Office of Education—but they noted that the VA was not exerting Federal control, was not interfering in the educational affairs of schools and colleges.

That is an important finding. You are familiar with the problem. The Office of Education, just like us, is prohibited from interfering in the internal affairs of schools and colleges, including curriculum and content. We respect this and have been instructed to rely on State authorities and on private accrediting bodies, many of which, unfortunately, as the two studies indicated, had not turned out to be sufficiently reliable. If they were sufficiently reliable, we would not have witnessed nor had to worry about abuses and fraud at the Federal level.

I know that the members of the subcommittee have wrestled with this problem, because there is a whole volume of hearings, 1974, on accreditation as part of your deliberations which culminated in the Education Amendments of 1976. This new law contains some sharp increases in institutional accountability, just as was ordered by the Veterans Education and Employment Assistance Act of 1976.

What happened in 1976 is that Congress got just a bit angry about abuses and overpayments. The veterans committees which write our laws told the VA to get tough and limit the opportunities for abuse. They provided such tools as a strengthened 85-15 provision and the 2-year rule, as well as some truth-in-lending provisions which are going to become more visible as future editions and revisions of school and college catalogs come off the press.

Finally, the longstanding requirement that a veteran student make satisfactory progress toward his educational or vocational objective as a condition for continued receipt of GI bill funds was strengthened to insure that Federal moneys are dispensed to serious students.

At the same time, last year the education committees cracked down on abuses in the loan programs, toughened the so-called LST provisions—limit, suspend, and terminate—and enacted a somewhat different but similar version of truth in basic institutional publications, without mentioning the words "catalog" or "bulletin."

These mandatory disclosure provisions become effective only on July 1, 1977. Similarly, to avoid abuse and overpayments, the 1976 higher education amendments require that students make satisfactory progress, a basic requirement of the GI bill for over 20 years.

And, Mr. Chairman, somewhat similar to our 85–15 rule, the Education Act limits the number of federally insured student loans that schools can make to their students.

In short, we at the VA are getting some heat right now, because the Congress gave us rather tougher instructions than it gave the Office of Education and made them effective much sooner. Undoubtedly, the very short period the agency was granted by Congress before implementing those provisions aimed at reducing abuse caused problems. This left little time for consultation with affected schools. In short, we were specifically required by law to implement complex provisions very quickly and rigorously.

In a way, however, there is nothing terribly new about this leadership we are being asked to assume. Our programs are older, as I said before; we have had more abuses, and we have worked with the Congress longer in overcoming a great variety of abuses over the past 30 years.

I would like to explore just a bit of this history, always keeping in mind that I would much prefer to speak about the accomplishments of a truly innovative, broad-based educational program which has transformed American higher education. It has changed not only our notions of expanding educational opportunity but also has affected the policies of other nations. It is reflected in the very change in terminology.

We used to speak of higher education and now we call it postsecondary education to indicate the broad scope of activities which are being stimulated and encouraged with Federal funds.

Again, the GI bill has been a pioneer here, because it always has included vocational and technical education, apprenticeship and other on-the-job training, 2-year colleges, and graduate education. This means great diversity, greater diversity even than President Magrath mentioned in his testimony in which he upheld the many variations in higher education.

At the VA we have some three decades of experience in administering an enormously large program which serves veterans not only in higher education but also in the many other settings for which we also continue to seek the maintenance of quality educational standards.

During these three decades we have worked with Congress in the periodic reforms and changes in the GI bill which sought to achieve several things and have, in fact, achieved them with increasing success:

One: Freedom of choice. The GI bill provides an entitlement which the eligible veteran is free to take almost anywhere he pleases. He can go to a vocational school or to college, to apprenticeship or to high school if he lacks a diploma. He gets a fixed, rather generous, monthly stipend, particularly when compared with other nonrepayable forms of Federal assistance, out of which he pays his own tuition and buys his books, just so long as he attends and makes orderly progress toward his stated objective at an approved course of study which may be at a public, private, or propriety institution.

Two: Counseling and guidance. We treat the veteran as an adult, leaving him free to initiate a request for counseling, free to decide on his educational objectives. We hope that he will make a suitable choice and that he will truly benefit from his entitlement. We offer assistance to those who want it.

Three: Reasonable progress as a condition for GI bill payments. We make minimal demands in terms of reports to be filed by the veteran, but we do expect him to make reasonable progress toward his educational objective. In adopting the original GI bill, Congress clearly rejected the bonus or income approach for our returning veterans and instead authorized an educational readjustment program where payment is contingent upon the veteran making reasonable progress toward a specific educational or career objective. This congressional intent was not only reaffirmed in the 1976 GI bill amendments but also in new section 497(e) of the Education Act of 1976.

It is clear that we are having some problems with institutions which do not insist on progress and appear to be violating their own standards. Their catalogs say one thing and their practices differ. Whatever the rationale for such policies, it has become obvious that in many cases veterans could receive full-time benefits for up to 5 full school years and yet never pass a single course nor make visible progress toward their stated objectives.

Thus it was not unexpected that the Congress directed us to monitor these matters more closely through Federal compliance visits, through the State approving agencies, and through strengthened rules, including the new truth-in-catalog provisions.

Four: Personal responsibility. The veteran is expected to pay his own tuition, buy his own supplies, manage his monthly Federal payment without explicit directions from the VA. This is a shift from the original version of the GI bill, 1944, which provided for the institutions to bill the VA for tuition, while the veteran took care of his own living expenses under a much more modest stipend which was reduced if the veteran was employed.

The abuses under this old system were so great that the President recommended, and the Congress enacted, the present version which funnels all payments to the veteran who pays his or her own bills.

Veterans, like other students, have shown a preference in recent years for low-tuition schools, something we leave to their choice as we always have. Those students who wish to attend higher cost institutions, however, are eligible both for Federal insured student loans as well as direct GI bill education loans of up to $1,500 a school year.

Five: No direct Federal control. The VA has avoided interference in the educational policies of educational institutions and has relied instead on private, voluntary accreditation and on the State approving agencies. Accreditation includes a linkage with the Commissioner of Education who must determine the reliability of accrediting bodies. State approval operates at the direction of the Governor, with federally enacted standards as a floor but not as a ceiling.

Each State approving agency may insist on additional criteria in keeping with the Federal system and pluralism in American society. It should be noted that the Brookings report as well as the ETS study found serious weaknesses in these non-Federal systems of quality control.

It should also be acknowledged that from the very beginning in 1944 the law has always attached terms and conditions on when and under what circumstances Federal payments would be made. This was to assure that the intent of Congress is followed.

Six: Consumer protection. The VA has a twofold responsibility: to protect the veteran student from being exploited and also from exploiting the program.

In the early days, for example, some veterans enrolled in avocational/recreational courses, in personality development and dancing lessons, which led to legislative changes so that such courses are now generally barred. Today abuses often focus on various schools competing to offer the least restrictive conditions under which a veteran, and ultimately the school, may draw a substantial monthly Federal stipend. Such arrangements appeal to schools seeking increased tuitions or other governmental funding based on their student enrollment.

They also appeal to those veterans primarily seeking income maintenance rather than an educational or vocational objective. Congressional enactment in recent years has thus sought to reduce the more flagrant opportunities for such abuse as well as to offer consumer safeguards to protect the majority of veterans seriously seeking quality education and training.

Such provisions include more liberal refund policies, truth in school catalogs, demonstrated job placement success in reaching vocational objectives and reliance on provisions designed to allow the free market mechanism to provide the worth of courses to others than just those with available Federal dollars to spend.

As Administrator, I am also directed by law not to approve the enrollment of veterans in any institution which employs false, deceptive, or misleading advertising or enrollment practices.

In sum, the law directs us to protect veterans from exploitation, just as we are directed to stop abuse of the programs by veterans who think it is an income transfer business rather than a program with serious educational and career objectives.

Seven: Efficient administration. The G.I. bill includes an allowance to schools and colleges for the processing of veterans' enrollment papers. We have learned that institutions are eager to certify that the veteran has enrolled, that his subsistence payments are to begin, and also to collect the institution's own reimbursement.

Many of these schools and colleges have been considerably slower to fulfill their end of the bargain as they must under the law, which is to notify the VA promptly if a student drops out or ceases to make satisfactory progress. Slow or nonexistent notification by schools contributes to our substantial overpayment problems.

We do not believe that these statutory requirements constitute improper interference in the internal affairs of the institutions; they start the certification by telling us three things: one, the veteran is enrolled and all is well; two, please send the money; and three, we will let you know if things go wrong and the veteran is not seriously pursuing nor making reasonable progress toward his stated objective.

Too often schools fail to let us know about the last part and that is where many of our troubles originate, both in our experience and in the report by the General Accounting Office.

The Education Amendments of 1976 seek to deal with the same problem. Implementation of new section 497(e) requiring satisfactory progress has now been published as a draft regulation and we note with interest the attempts by the Office of Education to implement a provision with which we have had difficulties for several years. Until recently, we had this kind of provision and our experience showed that the kinds of regulations now being proposed by OE can be ineffective in practice.

On the basis of this experience we recommended to the Congress in hearings held before the House Veterans' Affairs Committee, Subcommittee on Education and Training, that certain requirements in the law concerning the student's progress should be made more specific. Not unexpectedly, schools have complained quite openly about the satisfactory progress requirements of both the Veterans' Administration and the Office of Education.

The present hearings before your Subcommittee on Postsecondary Education, Mr. Chairman, offer an opportunity for Congress to help the schools and the two agencies arrive at a common understanding of standards of progress which are so vital to the proper administration of our programs, OE programs, and would even help the Social Security Administration in their student aid program.

Should you want to pursue the matter further, there are other areas where our experience may be useful to this subcommittee in its deliberations which must walk the narrow line between the need to avoid Federal control of schools and the equally compelling need to assure that the Federal taxpayers' hard-earned dollars are spent in the manner intended by law.

Mr. Chairman, you have expressed an interest in the degree of coordination that exists among various Federal agencies. Consistent with the requirements of our statutorily directed mission, we have attempted to coordinate with other agencies on matters of mutual concern. While there has been considerable cooperation, obviously more can and needs to be done.

We also suggest that the Federal Interagency Committee on Education, under the leadership of Dr. Berry, could fruitfully explore this area of common concern. We have some examples of good and effective cooperation between the Office of Education and the VA, and we look forward to more of them. Our joint response to problems occasioned in 1975 by a certain Illinois correspondence school in significant receipt of both VA benefits and federally insured student loans is one example.

I would like to insert for the record at this point a brief description of some of our efforts. I will be happy to insert that for the record, and continue on page 16 of the testimony.

Mr. Chairman, some testimony before this subcommittee suggested the lack of coordination of the State approving agencies with our State agencies, for example, a State board of higher education. We hope this is not so, but it is up to the Governor of each State to designate the State approval agency and to direct its work, something in which the VA cannot and should not interfere.

Similarly, it is important to observe that a State approving agency may impose standards which are higher than those required under Federal law, again reflecting the decentralized Federal concept of government. This means that the charge that some State approving agencies are exceeding the instructions of Congress is not valid because the law explicitly acknowledges the right of a State to impose such additional standards as it decides.

Some States have tough licensing laws and some do not. Some States combine licensing with approval for veterans and some do not.

What we at the VA can do and are hoping to do better is to lend a helping hand toward coordination, so that the various State approving agencies can and will more readily exchange information about the strengths and weaknesses of schools and colleges.

I met recently with the representatives of the State approving agencies and have approved a plan for regular contact with their officials on matters of mutual concern. This is very important as we see the increase in interstate and geographically remote locations, an educational trend we respect, although it clearly makes our work more complicated.

The VA, as you probably know, was one of the sponsors of the two national conferences on the protection for the consumer in education, convened by the Education Commission of the States and by FICE, and also is a member of the Federal Interagency Committee on Education which issued the report, "Toward a Federal Strategy for the Protection of the Consumer in Education."

The VA has noted the various recommendations for the establishment of better information sharing regarding the integrity of educational institutions. The intent is to have fewer cases of a school losing its accreditation while its State approval for veterans blissfully continues, or vice versa. We urge the implementation of this kind of clearing house which the Commissioner of Education announced on April 24, 1975, was to be established.

The rapid proliferation of branch and remote campuses has posed serious problems for the Veterans' Administration. The Congress, in the Veterans Education and Employment Assistance Act of 1976, has given us several specific instructions on how to deal with problems related to this geographic spreading out.

A classic example is where one midwestern college with an enrollment of about 100 veterans in less than a year opened up dozens and dozens of branch campuses all over the country, usually in local motels, with virtually an all-veteran enrollment totaling over 13,000 students.

We have been confronted by a series of moves which are underway which make it difficult to sort out the unethical, money-seeking operators from the genuine educational innovators. The voluntary accrediting associations are finding it difficult to cope with these changes and so are we.

Late last year the Council on Postsecondary Accreditation, COPA, noting the availability of dollars under the G.I. bill, concluded that there was "increasing evidence that at least a handful of colleges and universities apparently have established off-campus degree programs that are not equivalent academically to similar programs on campus and, further, that they have allowed these off-campus programs to operate without adequate supervision from the sponsoring institution."

The regional accrediting bodies permitted new satellite campuses to come into being, bringing their home-campus accreditation with them, as if quality control and standards were portable and could be inherited by the distant offspring without further evaluation. We understand that this policy is now being reexamined by the regionals and they are in the process of changing it by insisting on evaluation and site visits which have not been required to date.

In the meantime, this policy was subject to exploitation, always keeping in mind that this type of instant accreditation did not require the customary self-evaluation, report, and visitation of the satellite operation.

The Congress sought its own remedy by extending to institutions of higher learning a 20-year-old provision known as the 2-year rule which instructed us to withhold veterans' benefits until such geographically distant units had been in operation for a period of 2 years.

We know the 2-year rule is not very subtle but it has worked in the past in protecting veterans and the taxpayer from being ripped off, and this is why Congress extended it to most satellite operations last year.

The 85-15 rule also has a long history and has demonstrated its utility in a narrower vocational context.

The Committees on Veterans Affairs of the Congress learned of some programs with degree granting institutions which also showed tendencies toward pursuit of the fast buck and of the exploitation of veterans. It then broadened the 85-15 rule to extend it to higher education so that all institutions had to count all types of Federal beneficiaries, including basic educational opportunity grants and supplementary educational opportunity grants.

We have worked with the Department of HEW, Office of Education, with regard to our 85-15 requirement, and we have made changes in response to the comments raised by the educational associations and OE. Congress provided for a waiver to be used on a selective basis, which is how we are using it.

We certainly are entertaining requests and our regulations grant waivers.

Congress also permitted a simplification in the way we counted various Federal programs. We learned that most institutions do not keep track of their BEOG and SEOG beneficiaries by course, the way the VA keeps track of its beneficiaries; accordingly the VA granted a temporary waiver of the requirement to count BEOG and SEOG until June 30, 1977. This waiver has now been extended to June 30, 1978, in response to the realities of the situation—the schools have not yet changed their method of counting—and in response to the requests by the educational associations.

The role of the VA is difficult because we are now doing some of the things which the Office of Education will have to do during the months ahead. Our instructions from Congress have earlier effective dates and are tougher than similar provisions in the Education Amendments of

1976, so that the VA is perceived to be insensitive by many in higher education. I hope this is not the case. We want to have greater interaction with the educational community.

I am sure the committee will be pleased to know that there is not only a statutory advisory committee on education which serves me, but that this committee will be used more than it has been in the past. There are some very recent vacancies which I plan to fill in an attempt to make the committee an effective link between the educational community and the VA.

The Commissioner of Education, by law, is a member of this committee and I look forward to his active participation.

We welcome the new leadership of Mary Berry as chairperson of the Federal Interagency Committee on Education. I have had one meeting with her so far, while looking forward to additional meetings during which we can work toward better coordination and cooperation.

I am sure that she will appreciate, as will the members of this subcommittee, that we suffer from the perennial quandary of how much effort to put into regulation when all of us would much rather focus on the smooth, successful, and responsible parts of our education and other programs.

Similarly, the witnesses who appear before your subcommittee typically are the reputable spokespersons for responsible institutions who are understandably concerned about what they regard as needless regulation.

At the same time, it should be recognized that the unethical members of the educational community are not usually the ones to volunteer their testimony or to be selected by their associations as the typical speaker.

In our case, we have been told quite explicitly by the Congress and by the President to cut down on abuses and to improve our efficiency.

We are making progress in both areas, just as we are making progress in our twofold approach. We want to protect veterans from being exploited by unethical practices in postsecondary education and we want to help them get full value out of their entitlement. We also want to help them understand the value of this entitlement so that they will not be tempted to abuse it simply to get the money.

We know that there are veterans who are exploiting the schools, just as there are schools which are exploiting veterans and nonveterans. Congress has told us to move energetically to clean up this situation and that is what we are trying to do, in a way which will be least disruptive to existing legitimate practices.

In short, Mr. Chairman, we have continued our process of consulting the educational community; we have begun better liaison with the Education Division of HEW; we are strengthening our internal capability in the area of education; we have extended the waiver on BEOG/SEOG for 1 more year until we can work out a better solution; we are working with the State approving agencies to strengthen their competence and performance.

We appreciate this opportunity to appear before an education committee of the Congress, just as we have been pleased over the years to work closely with our authorizing committees.

We will be pleased to work with you as you struggle with comparable problems in the areas of defaults in student loans, personal bankruptcies and emerging abuses in the relatively new grant program.

In summary, Mr. Chairman, veterans' benefits are generally higher and more generous. This means that our programs are more attractive to those whose educational ambitions are legitimate as well as those whose intent is contrary to statute.

We have helped many veterans, despite some of our current problems. We have had a long record of good relations with the educational communities. I am confident that we can continue to build on this record.

This concludes my statement, Mr. Chairman. We will be pleased to answer any question which you would care to ask.

Mr. FORD. Thank you very much.

Mr. CLELAND. I appreciate your indulgence in my reading this statement.

Mr. FORD. Thank you very much for a very complete and comprehensive statement. I would like to, at the outset, express my personal appreciation for your remarks on page 19 with regard to the revitalization of and future use of the Educational Advisory Committee to the Administrator. I have been informed, for example, that people in the education community who had been complaining bitterly about lack of access to you have recently been extended an invitation to talk to you; and I suspect that some of the smoke will clear if people have an opportunity to get together and talk.

One of the reasons, I think, for the approach that we are taking of looking at all education programs at one time is the fact that it has become more apparent as time goes on that we do become involved in fields like education in so many different ways from the Federal level. Unless there is some attempt to get the people making policy decisions working together, we find what appear to be conflicting Federal policies affecting not only an institution but also an individual within an institution. It is very difficult for either the institution or the people to understand; and when we look back and see what we have done, it is very difficult for us to understand why we did it.

Obviously, when writing legislation neither the Veterans' Committee nor this committee can foresee all of the problems that we create inadvertently.

After our tremendous work on the higher education package last year, we recently had to pass an "omnibus" technical amendments bill with some 53 amendments to that bill because of dates that we messed up and things that really would have caused trouble, not because it was our intention to do so but because it is complex and those things happen.

Mr. CLELAND. Mr. Chairman, we have that kind of problem of letting the right hand know what the left hand is doing in our agency. I want you to know—and your committee members—that our desire for communication is not perfunctory and we are not saying it just to be saying it. We are interested in meeting with those affected. We are not interested in becoming isolated and ruling from a distance. That has no appeal to us and we appreciate the opportunity that you have given us to come before your committee and share our point of view and your leadership in helping us get together.

Mr. Ford. We were talking in one of the previous hearings about the fact that in the last Congress both the Veterans' Committee and this committee came, at almost the same time, to the conclusion that the lack of coordination between the U.S. Office of Education and the Veterans' Administration was, in fact, a serious problem; so both pieces of legislation that came out in the last Congress from these two committees contained similar provisions. The one in the veterans' legislation was knocked out on the floor because we had already passed similar language in the Higher Education Act, which is directed to you and the Commissioner of Education to get together.

Informally, I have checked with the Office of Education and find that there isn't any formalized sort of a way that has yet been devised to meet with this direction from Congress. They indicate that they find you cooperative but that the contacts that they are having are on an ad hoc basis; whenever something comes up they get together.

I agree with you that Dr. Berry is in a position to exert some real influence in coordinating these activities. Maybe when you get together it will produce for us the kind of advice we are going to need to keep this program alive.

Let me also say that I don't know offhand if I could pick out any program that has been really as popular, both politically and practically, since I have come to Congress at least, as the programs of education for veterans, the so-called G.I. bill.

The Congress is heavily populated, as you know, with people like myself who had their lives changed very dramatically by access to the G.I. bill and what it did for us. It has been an article of faith, really, that the G.I. bill is good, has been good for years and ought to go on. It is distressing to those of us who supported it in every way and recognize how valuable it has been to this country to see that in very recent years the tension has begun to build, not just with recipients of the benefits but with the community that is directly involved, the education community, and the Federal Government through the Veterans' Administration, in a way that has not evidenced itself in the past.

For example, when you are talking about the Brookings report and the other evaluation that you make reference to in your statement, we have to keep in mind that those reports predate the beginning of the tension that we now see over a number of issues being raised by the education community, and we should not rely too strongly on assurances that because it worked well in the past it works well now.

The thing that is very apparent in any kind of superficial examination of the relationship of veterans' education benefits to the other types of Federal, State, and privately administered student assistance programs is that institutions of postsecondary education have changed very, very dramatically, not only in the last 30 years but particularly in the last 10 years. Some of the concepts that many of us have that date back to our own time in college are no longer relevant to the real world and the stereotypes with which we live are not relevant. We came up short last year with the discovery that less than half of the college students in this country fit the stereotype by age that most Americans have who assume that undergraduate students are someplace between 18 and 21 years of age, so 48 percent of the whole population of all kinds falls into that bracket with a surprising 10 percent over the age of 35. That is a greater age diversity, I might say, than existed even in the post-World War II period when there were people returning after rather prolonged military service to the colleges.

That is something that not even the educational institutions themselves were quick to recognize.

One of the conflicts in policy that worries us is that the Veterans' Administration gives evidence of clinging to stereotypes that we by federally enacted policy have been trying to force the educational institutions to abandon. The problems that are created, as you mentioned in your statement, about satellite campuses are not something we were able to foresee, from your point of view, but we have for a number of years been deliberately prodding traditional-type institutions to break from tradition and do this sort of thing.

You mentioned the midwestern university in your testimony that ended up holding classrooms in motels. I certainly hope that the criteria, whether good or bad, are not the fact that it is held in motels, because, like Admiral Rickover, who argued—this was years ago—that we don't care if they hold it under an oak tree, the question is whether or not it is an educational program. Many of us would be surprised if we went back to our own institution from time to time to see what, in fact, is going on.

There is a great deal of attention in your statement also to the question of fraud and abuse. It is a problem that the VA has to deal with, not only in education but also in a lot of programs.

In looking back now, I think we recognize that when we made the change from paying for educational benefits and letting the veteran find his or her own way to survive with a very nominal subsistence payment, we were changing very dramatically the relationship between the Veterans' Administration and the institution. We destroyed the relationship, in fact, cut it loose. We changed the relationship with the veteran.

I am impressed, as you know, Max, because we have talked about this. I have a built-in bias because my own son is one of the people who is being cut off by the 10-year limitation and is also participating in a program that is having some difficulty with the VA, which I hope not to discuss today because it is in litigation and it would be totally out of order for us to get into it. I am impressed in talking to him and his contemporaries about their perception of what veterans' education benefits are, and I find it is not really much different than my generation.

Unlike the BEOG's and SEOG's that you talked about, which are grants, with the size determined by whatever Congress appropriates each year, if it appropriates at all, veterans' education benefits are generally regarded by the veteran as an entitlement, an earned entitlement, like a pension or some other specific benefit that has been delineated that doesn't relate to present financial need. It doesn't really have anything to do with the cost of the educational program and is related entirely to what that person's military service was, the duration of the service and the condition of separation; so that it is very easy for the veteran to be resentful of anything he perceives as cutting off this earned benefit that he has coming.

I guess the issue of whether it is, in fact, an entitlement is being questioned in litigation, too. We don't have to try to settle that sort of thing but I think it might explain the difference in perception of whether something is a ripoff or simply an assurance of getting what you have coming to you.

I have to confess that we devised methods under the old system—it was possible, for example, to discontinue your G.I. bill during Christmas vacations, Easter vacations, to save tuition and books expenses. What I did, for example, to stretch mine was give up some Christmas vacation time, which cost me a percentage of my $75 or $90 a month, whatever it was, but saved the tuition and book expense.

If you could get through the mid-point of eligibility for a semester at the end of your time, the policy was to pay for the whole, round it off with a full semester, so you actually stretched or doubled those last 3 months and you got double payment for it.

There was a program related to veterans called 52–20 that was popular with us. Under it, a veteran without regard to his previous employment could, for not to exceed 52 individual weeks, collect $20, so when you discontinued the veteran's time at Christmas and you were no longer receiving veteran's compensation, you could go over to the Federal unemployment office and sign your name and say "I am available for 1 week to work" and collect the $20, so that, in effect, you were combining these things.

I don't recall anyone ever regarded this kind of use of these programs to put things together so that you could survive in school as in some way cheating the purpose of the program. I don't know that it would have been any more desirable to use the 52–20, as some people did, to go fishing for 6 months and come in occasionally and pick up their money; but the philosophy that developed, generally, about how to use veterans' benefits is still very much with us and very much taints the attitudes people have toward your attempts to establish fiscal integrity.

I am pleased with your statement here, in that you mention that there is about $463 million reflected in overpayments, because we have heard figures of $1 billion and so on thrown around here.

Mr. Cleland. These are accounts receivable that we are attempting to collect. These are accounts receivable on the books.

Mr. Ford. The $1 billion that people were talking about some time ago has been reduced, has it?

Mr. Cleland. There is a General Accounting Office report about a year or year and a half ago that talked about a so-called billion dollar problem. GAO found about $800 million in overpayments. The point is, the Veterans' Administration recovers a substantial amount of the overpayments but the $463 million figure is those overpayments we have not been able to recover. They are still on our books.

Mr. Ford. Now let me ask you—this figure includes all overpayments, I mean, all types of overpayments, fraudulent and accidental?

Mr. Cleland. All detected overpayments, part of the GI bill.

Mr. Ford. Do you have any type of ballpark figure either on a percentage or dollar basis of how much of this outstanding $463 million represents what appears to be fraud as distinguished from other reasons for overpayments?

Mr. McMichael. I don't believe that figure is broken out. Part of the difficulty lies in determining what constitutes fraud or not. We do know various students for a variety of reasons continue to receive benefits based on a certified training time when, in fact, they are either no longer training or training on a reduced basis. Part of that results from a failure of prompt notification or prompt processing. Part of that result is from the deliberate failure of the student or the institution to reflect that change, and it is very difficult for us to ascertain how much is clearly fraud and how much is not.

I might mention that recently indictments were returned and convictions were obtained in a case in Illinois involving veterans, but normally it is difficult to make those sort of determinations and come up with requisite proof.

Mr. FORD. I think it is important that you try to develop some sort of a profile of this. If I could use a parallel, we heard of the phenomenon of bankruptcy with student loans and it ran through this town that kids were graduating from college and promptly filing for bankruptcy and beating the Government and other lending institutions.

Mr. CLELAND. May I address that?

Mr. FORD. When we went into it we discovered nobody really knew how many of the bankruptcies were for the primary purpose of beating the student loan and how many of them were, in fact, substantial indebtedness where the student loan was only a part of it. Only now, as a matter of fact, a year after legislating on the thing, are we beginning to put some figures together, and so far we are discovering that the phenomenon is nowhere near as formidable or as widespread as it was described to us.

Now we keep hearing from all sorts of sources in the wind about how veterans are ripping off the education benefits; if we could develop a profile of these overpayments so that we had some understanding of how much of this results from what appears to be deliberate action to receive the payment without any intention of using it for the purposes for which it was intended, as distinguished from the time lapse sloppiness you mentioned, I think it would be helpful.

Mr. CLELAND. May I address myself to that question?

It seems that we might have, really, two areas that we might label abuse. One is the case where a veteran knowingly enrolls in a course of study that he knows that he is not going to legitimately pursue. He enrolls the first day of the course then shows up the last day of the course, takes a failing grade or nonpunitive grade, then signs up for other courses and continues on that. That, in a sense, is fraud in that it is a deliberate failure to pursue an educational objective.

Then there is another kind of fraud or abuse, and that is when a veteran knowingly is not going to school and attending class and accepts money that he knows is an actual overpayment.

There are several things that are part of this overpayment. You mentioned the profile. When I first got into the issue of overpayments there was a feeling that maybe one-third of the problem was on the part of the veteran, one-third on the part of the school and one-third on the part of the VA.

We have tried to address this and the Congress has tried to address it. One manner of addressing it has been the fact that Congress last year told the VA to shift to a postpayment plan rather than a prepayment plan. We shifted this month to paying a veteran at the end of the month for benefits, for education he received that month; so we are shifting our entire pay cycle. We think that is going to cut down substantially on overpayments which were really the result not so much of fraud but a result of failure to fulfill basic requirements of going to school.

I think the elimination of prepay will do a lot to cut down on the problem of overpayment; so that is the whole pay cycle, how the VA handled it, whether or not we got the notice from the school quickly enough and whether or not we actually processed that notice timely ourselves or not. All those days added up and lengthened the overpayment problem.

Mr. **Ford.** What is your present requirement for a school to notify you when a student is dropped. How much time do they have to make that?

Mr. **McMichael.** Normally they have 30 days.

Mr. **Ford.** Is that working out to be practical? Can they do it? Mr. Quie's State has 6,500 students on one campus at the University of Minnesota and I would suspect you could disappear for a year up there before anybody would know you were gone.

Mr. **Quie.** Longer than that.

Mr. **Ford.** The way things work on a modern campus, how does a school know within 30 days?

Mr. **McMichael.** We have had some problems in implementing that and there have been some changes in regulations which attempt to take into account the fact it is difficult to ascertain that.

Perhaps Mr. Thornton could expand on that.

Mr. **Thornton.** Our regulation states they will notify us during the month or immediately thereafter when a change occurs, and we have interpreted that, as Mr. McMichael mentioned, to mean within 30 days.

Some of the schools have contended they couldn't do so. One of the schools brought up that issue in a lawsuit recently. The judge ruled that 30 days is a reasonable time to give the schools to report changes.

We have met with the academic communities because they tell us schools do have problems in this area. As a result of that, we gave them four alternatives they can use to determine the last date of attendance. They can use, if they take attendance, whatever the attendance record shows.

If they don't take attendance, if the instructor requires a paper to be submitted, when was the last paper submitted to the instructor? It doesn't require papers but he knows a student no longer is in his class, if he will report that.

And then, absent that, if the school has none of those things we have told the education community we will accept a reasonable statement from the student as to his last date of attendance.

Mr. **Ford.** On a large campus the students have been joking for years that if you lose your computer card, you disappear. They feel so caught up. In my own State, at the University of Michigan and Michigan State, it is kind of a standing joke that nobody knows you are here but Charlie, the computer. In fact, that is what happens. They don't really have the feeling that very many people connected with the institution would recognize them on sight or know that they are a student.

With a smaller institution, I suppose it is different, but we have constructed these huge factories now where sheer volume makes something like a 30-day rule seem insurmountable to the administrators of that kind of institution, but I gather that you are working on that now, to find some accommodation where something like size would be a factor?

Mr. Cleland. I think, Mr. Chairman, your remark is well taken. The more I look at this issue the more I feel that the Veterans' Administration, school, and student are in one boat and if one party decides to sink it, they probably could. Yet, if the student is conscientious and wants to make progress in school, and the school generally is conscientious in attempting to keep track of students, in the Veterans' Administration we do our part in getting the check there on time and handling our payment procedures so that we don't encourage abuse, then I think the program works well. But it does require good faith on the part of all those involved in the program.

Mr. Ford. In your statement there is reference to types of schools as those having a good reputation and those having a bad reputation, and the fact that we are more likely to hear spokesmen from the ethical institutions. For that matter, probably we hear more from the so-called prestigious institutions than we should; but what kind of institutions were you talking about that we wouldn't hear from that you have trouble with? Are we talking about colleges and universities or trade schools or proprietary schools or what kind of categories would they fall into?

Mr. McMichael. I think one of the problems we face is that they now cover all categories. Perhaps at one period of time you could classify one school as below college level or institutions of higher learning, but as the accreditation process has proliferated and you have numerous institutions which are now degree granting institutions which in past years have not been degree granting institutions. Thus it is difficult to come up with any category since problems occur in all types of schools.

Mr. Ford. Well, the complaint is heard that legislatively the Congress has responded and administratively you have acted in response to cases from so-called fly-by-night schools, or schools such as Max described, that appear to have just developed to get VA customers. You indicate that you are considering waivers of the 85-percent rule on a case-by-case basis to carry out the intent of that provision.

In the past I guess we have heard complaints that it has been so rigid that it has jeopardized the programs because actually you can have a program that is so successfully and so uniquely attractive to veterans that it disqualifies itself because it is attractive. The 2-year rule is extremely difficult to apply to some situations where, in fact, we have told colleges and universities, "We will give you money if you will develop programs of lifelong learning. continuing education, adult education" and a whole variety of titles we have thrown at them.

They then develop something different so they can serve this population that is asking to be served. When they do that they discover that an innovative idea becomes inaccessible to a veteran because it hasn't been there for 2 years.

Now I think the 2-year rule came into existence back in the 1950's in reaction to the instant trade schools that used to pop up in the back alley garage and suddenly had a lot of veterans. That is when the institution was getting direct money.

While there is some competition developing for students, there hasn't been for a period of time any incentive for regular institutions which are already overburdened with requests for space to go out and do that sort of thing.

How are you able, with the present statute, to make a distinction between the fly-by-night situation and something that is, in fact, a genuine shift in emphasis toward a new program?

Mr. Cleland. That is exactly, Mr. Chairman, the point. The question is, How do you distinguish a good school from a bad school or a bad school from a good school or what is a meaningful educational opportunity for a veteran or one that might not be? That is exactly the point. I guess that is where we are, how do you separate the wheat from the chaff?

Mr. Ford. You don't have now the executive authority to waive the 2 years?

Mr. Cleland. Not executive authority to waive the 2 years, no, sir; but that is the point. Congress, in attempting to resolve this dilemma of how do you separate the wheat from the chaff, or how do you protect a veteran's opportunity to get a meaningful education or accomplish a meaningful educational objective, decided that two obviously mechanical standards ought to be applied. These were the areas that had the greatest potential for abuse. Where you came up with an educational program that had not been in effect for less than 2 years.

Second, when you had programs that had almost entirely a clientele of veterans, and that these were are areas that were most likely the areas for abuse—so with 14 percent of the student body in the country veterans, apparently the Congress decided that when you got up around 85 percent the Veterans' Administration ought to take a heavy look at that.

Mr. Ford. Suppose that a school—this is in fact in process a number of places in the country—said we have identified in society a need for paramedics and we have a supply of people that were trained by the military to one level or another of competence as medics. So we are going to establish a program to train them to the level that police and fire departments and hospitals want for paramedics. This is a relatively new profession that is expanding rapidly, so they establish a program and say that if you had training in any way at all, which would generally be in the military, your training will be evaluated and you will be accredited toward the ultimate completion of this program with the training you already have.

It is likely that that kind of program is going to attract almost 100 percent veterans and it is going to be new, so it is going to run into both of those rules.

Where does that leave you the way we have the statute written now?

Mr. Cleland. The way you have the statute written now, I, as Administrator of the Veterans' Administration, can look at these programs on a case-by-case basis and make a decision whether or not it is in the best interest of the Government and the veteran. As a matter of fact, I did indeed grant a waiver for one medic program in the University of Washington in Seattle.

Mr. McMichael. I might add, Mr. Chairman——

Mr. Ford. How do you get around the two-year——

Mr. Thornton. It doesn't apply if it is operated from the main campus of the school and it doesn't apply if it is operated within the taxing jurisdiction of the public school. It doesn't apply in the case of proprietary schools if it is within normal commuting distance of the parent school.

Mr. McMichael. I might add, Mr. Chairman, that with respect to the problems that we have encountered with 85–15, very few of the courses meet the criteria that you have been describing. Most of the courses are those which do not depend upon some particular skill that has been acquired in the military and is particular only to veterans.

Mr. Cleland. I might say that I have been most concerned that the Veterans' Administration in a sense bends over backward, administratively, in good faith, to work with the educational community and veterans in this regard. In other words, I want to be sure that we not become insensitive and bureaucratic just because we have got a tough law here and just because we like to be policemen. That is not the case.

I extended the waiver for counting BEOG and SEOG in the 85-percent rule as it applied here. I have attempted to work with the Office of Education and the educational community. I have made myself and the staff available. We are trying to do all we can under the law so that we don't become frozen in the eyes of our own indifference here. That is not our posture.

We want to bend over backward to make the law work and to protect not only veterans but schools, too. Also—Andy just reminded me here—where a school has less than 35 percent veterans enrolled they do not come under the 85–15 rule.

Mr. McMichael. Which means approximately 95 percent of the institutions of higher learning in the United States are not subject to any detailed accounting procedures.

Mr. Ford. There are a number of factors that have acted as natural magnets to bring veteran students to a particular type of institution—location, the community college with a relatively low tuition, the expenses and other factors that would cause the veteran population in a very natural way, with no intent on anyone's part to take advantage of them, to gravitate toward a particular institution even in a given area.

Mr. Cleland. The point is well taken.

Mr. Ford. With three schools to go to, they pick one because of a combination of conditions that make that a better choice for the student.

Mr. Cleland. Your point is well taken. That is exactly the point. It is so hard and virtually impossible. We wouldn't try to do it, try to second-guess an institution as to whether its intent was good or ill.

Admittedly the 2-year rule and the 85–15 rule are mechanical rules that in a sense set a mechanical standard, but apparently Congress thought that this was the area where potential for abuse under the G.I. bill was the greatest and therefore that these standards, though admittedly artificial, ought to apply.

Mr. Ford. Mr. Quie?

Mr. Quie. Yes; when other institutions have run into difficulty with the Federal Government, some of them have said to me, "Couldn't you issue a certificate of good housekeeping or seal of good housekeeping so we don't have the trouble all those other institutions have?" You just watch them, and, in a way, you work with the accrediting institutions. Have you thought of doing something of that nature with your administration with the largest aid to students, so that they could qualify?

Mr. Cleland. That is exactly, I guess, the point we are talking about. On the one hand, if the Veterans' Administration were to get into the business of saying what is a good school and a bad school, we would be charged with Federal interference.

Mr. Quie. No, you would not; just the administration of your program. You wouldn't be getting into the whole curriculum and everything. There are some schools you don't have problem one with; they are so honest and bend over backward to follow the rules and regulations, you never have any trouble; and with others you have nothing but trouble. They are a minority, just in your own administration.

Mr. Cleland. Well, I feel compelled to point out how we go about approving the school. Approval for veterans' training facilities under the GI bill is granted by the States, the State approval agencies; and we pay State approval agencies to do that task for us.

Unfortunately, that has not proven from our experience to be a measure of quality control, really. The same thing with the accreditation body. If we could rely on the strength of accreditation and approval by State approval agencies as to what is a good school and a bad school, and end up with a good program, we would do so; but, unfortunately, it is because that was not good enough that we are in the position we are in now, of having——

Mr. Quie. I expect that will be the case, because they don't have any financial stake. The only way you are going to improve the situation is if the State had to put up a portion of the money, then you would get better quality control.

Mr. Cleland. Certainly get their attention, sir.

Mr. Quie. We have done that here in fact on a number of programs. We are moving that the States have to pay 50 percent of the administrative costs. It really has got their attention.

I know the other way hasn't worked.

Mr. Cleland. I think there is an answer here. Andy, you might want to address yourself to this. We do consider our experience with the school, whether or not we have had experience or good experience, in considering whether or not we grant a waiver. That is the point of our criteria on whether or not I, as administrator, grant a waiver of the 85-15 rule. In other words, that is part of our criteria. If a school comes in and says "We have got the outstanding medic program or this outstanding program that veterans in our area are flocking to," and we go down and we have a little checklist and part of that checklist is, have we had bad reports, do we have evidences of false and misleading advertising in your catalog and your promotional policies, that kind of thing is taken into account in whether or not we would grant a waiver.

So, in that sense, we do judge our experience with an institution, but in terms of actually qualifying for training of veterans, if that State approval agency approves a school for training, that is it; we live by it.

Mr. Quie. I am pleased to hear that on your 85-15 you take into consideration the waiver.

Mr. Cleland. Yes, sir, experience with the school.

Mr. Quie. I would hope the 2-year rule could also be waived.

Mr. Cleland. Unfortunately, sir, the law is not written so that I, as Administrator, have the administrative discretion so that I can look at the experience in the application of the 2-year rule. Only with the 85–15 rule——

Mr. **Quie.** What about the whole question of reasonable progress? You mentioned the student would be there and drop out and come back again and have a failing grade and so forth. I think that is horrendous and should not be accepted.

However, some schools, while they may not be doing things exactly your way, do have a method of making certain everybody there is making reasonable progress.

Mr. **Cleland.** The law is specific in that area.

Mr. **McMichael.** Well, there have been difficulties in implementing the requirements that the Congress has given us on this, and we are working in a variety of ways to see if we might reduce some of the administrative burden of the schools in complying with it.

Part of the problem is simply relying upon the school standards which is what we have done in the past. Unfortunately the standards got to the point, at least with a number of schools, where it was possible for a veteran to draw 45 months of entitlement and never pass a single course and still not be regarded by the school as constituting unsatisfactory progress. So there was, in effect, no standard in that case and that was the difficulty that we had trying to comply with the wishes of Congress that students not draw money simply for income maintenance purposes but rather proceed in an orderly process toward their educational or vocational objective. Unfortunately, some schools had so altered their standards that one could, in fact, simply draw money and never make any progress——

Mr. **Quie.** But is there any possibility, looking at the future now, of a school being able to demonstrate to you that they have a way of handling this, not exactly your way, but give the assurances that they will notify you, to be able to drop off anyone who isn't making reasonable progress?

Mr. **McMichael.** This is probably the most troublesome point with the educational institution and one we have been meeting with representatives about. I think we have finally gotten on track recently. I think we are making some progress toward achieving some reasonable compromise, where we know, in fact, a student who is receiving benefits is seriously pursuing while at the same time not imposing unachievable requirements upon the schools. So we are working toward that.

Mr. **Cleland.** Mr. Quie——

Mr. **Ford.** If the gentleman would yield——

Mr. **Quie.** Yes.

Mr. **Ford.** One of the fascinating things brought to my attention is that the U.S. Naval Academy could not meet your requirements for its cadets because of the open study arrangements they have for the so-called Trident scholar. If you are in the top 5 percent of the senior class, you construct your own program. You may never attend school. You just decide how you would like to prepare and take the examination. They pick the 5 percent of the very best students and let them do this. If any of them were a veteran would this disqualify that school?

That kind of an exam is not as fair as a direct comparison with what other schools might be doing; but I think it tells you something about how extreme this kind of a rule can be.

Mr. Quie. I would say there is a problem here. The school itself has a way of screening which students they permit to do that. Many colleges, like where I graduated from, have started what they call paracolleges. Students enrolled in them don't take any examinations or anything. The students prove themselves in their first year, and can remain in the paracollege as long as they prove they are making progress.

It was difficult going into graduate school when the program first started out because they don't, then, have the same type of information available to the graduate school that the graduate school is expected to receive.

The same way with the Veterans' Administration; they wouldn't have any way of knowing either.

And to give you another example, when my brother went through medical school, he never took an examination or anything from the day he started until when he finished, because they had a kind of control on the program, but Yale had developed the kind of quality there that people would expect. That is what I would say, that if you have a St. Olaf College or a Yale that has proven that and where the graduate schools have accepted their method of proving that they have the quality, I think, then you ought to be able to do it.

I wouldn't think you could expect the States to do that for you or even the accrediting associations, because I have a lot of criticism of accrediting associations as well, mostly because they don't have a stake in it; and I think if they have a stake in the program it is going to continue on.

I think you need to perform some of that role yourself, because you have got all of the stake in it and we are going to get on your back. We are getting on your back a little differently from that committee. I recognize the way they get on your back in the Veterans' Affairs Committee.

That would be my reaction.

Let me ask about where this thing is going in the future. We have that new contributory vesting program. To what extent are the men and women in the service taking part in that? What are we going to expect of that program.

Mr. Cleland. Apparently they are not taking advantage of it too well. Dorothy?

Mrs. Starbuck. At the moment we have a count of approximately 7,000 who have made contributions. Most of these are in the Army and the latest information is that we can expect a rise in participation at about a rate of 2,000 a month; and the rates at which the participants are setting aside money is not the minimum $50 but in the vicinity of $60 to $65; and by going to the limit of $75, of course, they can have their maximum contribution of $2,700 in 3 years.

So those who are participating are coming in at something above the minimum level, which is encouraging.

Mr. Quie. What is your view on the future of this?

Mr. Cleland. Mr. Chairman, when you have to pay in advance for your educational opportunity that you are going to get 2 or 3 years later, I don't think there is all that much incentive there to participate in the program, especially if you are a person who came into the military for the purpose of getting a job and some money.

I think it is doubly difficult if you are in the lower income strata to lay away money for the future, and that is exactly the requirement that is now imposed on a person in the military that came on active duty since the 1st of January of this year, namely, take $50 to $75 a month and put it in escrow, lay it away, and then 2 or 3 years later you get out and the Veterans' Administration will match your contribution $2 for every $1 you put in; but it requires, I think, a pretty sizable degree of maturity and willingness to defer $50 to $75 a month out of your paycheck, and if you are a young enlisted man in the military, $50 to $75 out of your paycheck a month means a lot more to you now than it may later.

So I think the consensus is that the rate of participation in the post-Vietnam era GI bill is lower than the military expected and about what we expected.

Mr. QUIE. Are you going to be coming in with recommendations on changes?

Mrs. STARBUCK. Yes, sir.

Mr. QUIE. When is that going to be submitted to the Congress?

Mrs. STARBUCK. The first report is due in April of 1978, I believe.

Mr. QUIE. So that in that first report you will be making recommendations for legislative changes?

Mr. CLELAND. I think maybe Dorothy misunderstood. You asked, would we be making recommendations for change?

Mr. QUIE. That is right.

Mr. CLELAND. In the post Vietnam era G.I. bill, I think our requirement is to report on the progress.

Mrs. STARBUCK. Yes, sir.

Mr. CLELAND. Report on what has transpired, not necessarily coming in recommending changes; is that correct?

Mr. THORNTON. Yes, sir.

Mr. QUIE. Will the VA be making a recommendation for the Administration on changes?

Mr. MCMICHAEL. We will be consulting with the Defense Department in developing a joint policy.

Mr. QUIE. Do you have any idea when that will be?

Mr. MCMICHAEL. The program is so new it is difficult to arrive at a judgment at this point.

Mr. QUIE. Do you expect it will be well past 1978, the first reporting period?

Mr. MCMICHAEL. We don't expect any of those who are now joining the program to even begin utilizing their benefits for a period of 3 years. Consequently, I think we are going to probably have to wait until we get some people out who are utilizing the program somewhat before we will be able to come up——

Mr. FORD. We have a vote.

Mr. QUIE. How do you feel personally about this? I know from your testimony you really didn't favor paying tuition to a college like we did in post-World War II program. It seems to me that the Bradley economics report was not critical of that per se but rather those profit schools that were the source of most of the abuse in the post-World War II period. The reason why I asked is because it really has bothered me in that a lot of veterans, because of their own financial needs and their perspective at that time, have not had the opportunity that those of us who took part in the post-World War II period to attend an institution that really fits them more than the community college.

I have nothing against community colleges, but it seems to me some of the students would get a better education if there was some way that money could go for tuition directly to the institution.

Mr. CLELAND. Well, sir, you really raised two points.

No. 1 is tuition, something that ought to be considered in order to make the GI bill more flexible and more appealing to the veteran. The answer is yes.

Second: Should we pay tuition to the colleges? The experience out of World War II was, probably not. As you might know, there was a substantive effort in 1974 to include tuition as part of the upgrading of the G.I. bill. That effort was not successful.

Mr. QUIE. I know it wasn't. I was disappointed. Do you agree with not paying it directly to the institution, because there would be more chance of abusing the money that they got directly than there is presently?

Mr. CLELAND. That seems, Mr. Congressman, in a sense, the same question. I take at face value the experience that our predecessors had after World War II and then there were the abuses that came about in paying that kind of money to schools directly.

Mr. QUIE. I don't take what they say at face value because when you look into the details, you find out the type of institutions that was causing the abuse. Here again, they painted everybody with a broad brush. The end result is that, I believe, the veterans have a poorer package now. It is like sending the G.I. home where you would give him the average transportation cost and half of them would not have enough and the other half would have more than they needed. The same way here, it seems to me.

Mr. CLELAND. Well, sir, there is no question about the tuition making the G.I. bill more appealing, whether it is paid directly to him or to the school, would make the package more attractive and would provide the individual veteran a lot more flexibility.

Mr. QUIE. Perhaps we should handle it the way we do in the SEOG program, one way or another we tie the institution in more than we do the G.I. bill.

I'd better go over and vote.

Mr. CLELAND. Thank you for your interest.

Mr. QUIE. Thank you. You have been a very good witness this morning. It was especially helpful to have you now after all the other testimony rather than before. It will give you a chance to express yourself on the details of the criticism.

Mr. CLELAND. Thank you very much, sir.

Mr. QUIE. You are doing a good job where you are, too.

Mr. CLELAND. Thank you very much.

[Short recess.]

Mr. FORD. Thank you very much for your patience. I understand that Mr. Buchanan is on his way.

Let me say at this point in the record that I do have a number of specific questions that I am not going to ask on the record because most of them, as I am informed by the staff, are probably involved in some sort of litigation with you at the present time. That includes the case that I talked to you about with Wayne State University, so I would like to say that the record is being left vacant on these issues, for no other reason than it is not our policy to discuss specific issues that are subject to litigation in front of this committee, for very obvious reasons. But I would like to ask for an opportunity for the committee members to meet with you informally sometime in the near future and talk about these specifics off the record, so that we are not asking you in public to jeopardize any position that you feel constrained to take.

Mr. Cleland. We will be happy to meet with you at your pleasure, Mr. Chairman.

Mr. Ford. Also, to what extent could you give us a profile of the type and the number and, if at all possible, the specific institutions that have given rise to the problems we have been discussing here that the VA has found to be involved in the practices that necessitates these restrictions. If you could give us something on that as specific as you can do it, we would appreciate it very much.

Mr. Cleland. All right.

Mr. Ford. I am trying to get some concept of the dimensions of the program.

Mr. Cleland. Mr. Chairman, may I interject at this point, we have a couple of points we would like to make for the record in response to some of the questions that were raised.

Mr. Ford. From Mr. Quie?

Mr. Cleland. One from him, sir, and one point you made about independent study. There are provisions for an independent study and I would like Andy Thornton to explain that, and also explain a survey that we did in terms of asking veterans whether they wanted the pay to go to the school or to them directly.

Mr. Thornton. A couple of years ago, Congress asked us to make a study and see whether or not veterans that were enrolled under the current G.I. bill preferred our present payments system where we make the payment in one lump sum to the student, or whether they would prefer the World War II type system. We designed a survey form in which we explained the World War II system, the tuition payment, the limitation on the amount of tuition that would be paid, the lesser subsistence allowance rate that would be paid, the requirement that the subsistence allowance be reduced in case they had outside earnings, and so on. Then we explained the present payment system.

In response to whether or not they preferred the present payment system or the World War II payment system, more than 90 percent responded that they preferred the present payment system.

Mr. Ford. I would suggest to you that I am surprised that only 90 percent answered that way. You loaded that one pretty heavily.

Mr. Thornton. In order for them to understand, they had to understand the restrictions that were in the World War II program, because the Congress said whether or not we go back to the World War II system or continue the present system, and we had to describe the World War II system and we explained, as I recall, in the questionnaire that, of course, the rate that tuition would be paid would be adjusted, based on the increased cost from World War II to the present time, and so on; but at least over 90 percent of them responded that they preferred the present payment system.

Congress last year recognized that many schools are going to a different type of a program, they are innovative programs, independent study programs, and in Public Law 94-502 they provided a specific payment provision for independent study.

In the case of independent study, we are authorized to pay the cost of the course, not to exceed $146 a month, and for that we charge the veteran one-quarter of a month's entitlement for each month he is enrolled. If he is enrolled in residence training where he is required to attend, and in independent study concurrently, and more than half of his program is in residence training, we combine the two as though it were all residence training and pay the residence rates.

So Congress has recognized the independent study type program and authorized a specific payment rate for that.

There was also a question raised about students, the large percentage of our veteran population going to public schools, and after World War II a large percentage of the students attended public schools, but not nearly the percentage as do now. In fact, I think it is slightly over 80 percent attend public school now, but actually the overall population has gone toward the public school and it is close to 80 percent also, so we are not so far from what the actual population nationwide is in the public school system.

Mr. FORD. On the way over to the floor, I chatted briefly with the ranking member of the Appropriations Committee, a former member of his committee, who drew to my attention the problem that has recently been presented to him, which he says amounts to a bleeding off of the veterans' education benefits in this fashion. When the student goes to a student aid office and begins to put together a package of loans or grants, or whatever, for the purpose of developing his package for that school year, that they take into account his veterans' benefits and reduce, dollar for dollar, other funds that he would have access to by the amount of money he gets from the Veterans' Administration.

Has this been brought to your attention in any way?

Mr. THORTON. The Office of Education programs are the ones that he is talking about, and there is specific language in the various laws pertaining to different programs over there, where educational benefits have been treated differently.

I have talked to officials at the Office of Education about this. They tell me that they have been working on a package so that the benefits would be treated the same way in all of their programs; and I don't know how they are coming on that. I haven't talked to them recently.

But we were aware that some of their programs treated it as something that would cause a reduction in the loan program, for example, and in others they didn't consider it.

They are looking at that and they are looking at getting uniform guidelines for all of their programs, but it is an Office of Education problem, not ours.

Mr. FORD. I would imagine in the SEOG's program, the supplementary educational opportunity grant, that it would be a dollar-for-dollar reduction, because you take into account the total package.

Mr. THORNTON. Probably so.

Mr. FORD. Maybe it is something we ought to look at together to see whether this, in effect, is a shift that supplements the other Federal programs with the veterans' earned benefits.

Mr. Thornton. The gentleman that I talked with at the Office of Education said one of the problems that they have about getting a uniform application on this is that there is specific language in various bills that they have, so they would have to get legislation in some areas, as I understand it, to change their position. I don't know whether it has been recommended or not.

Mr. Ford. That is something your committee can take up with Mary Berry.

The standards of progress question, of course, is receiving serious consideration and has provoked a great deal of discussion in the education community. Up to this time, a general feeling has been conveyed to us that they are unable to penetrate to a level in the VA where they can try to get someone to understand their problems with applying very rigid standards of progress; but the Office of Education recently published regulations that permit an institution to set the standards. I think that is what Congressman Quie was talking about in a different way with his seal of good practice type of thing.

Under the law, as it presently exists, would it be possible for you to set up a system similar to the system being instituted by the Office of Education to permit the institutions to make this determination for you?

Mr. McMichael. We have some leeway because we are allowed to take into account mitigating circumstances, so, depending on how we define "mitigating circumstances," we have some discretion, but not an enormous amount of discretion.

As mentioned earlier, our problems have been in making sure that in fact there are standards; and prior to the amendment in the 1976 laws, although there were requirements for standards of progress that had been part of the VA law for 20 years, we found it was possible for certain schools to so structure those standards that students could receive benefits for a full 45 months and never pass a course.

Mr. Ford. Let me give you an example. This committee and my own staff worked out an internship arrangement with schools and have college students who come and work for us for the period equal to the semester or quarter under an arrangement where they receive credit from the school. They go on the payroll and work here and presumably are gaining experience by doing research for the committee and so on, an experience that will help them ultimately.

The way in which your regulation reads, a veteran in a program of this kind, where the credit would not actually fit into the course requirements and which could conceivably delay the time when he would have the number of credits required to graduate, could be disqualified.

How do you handle that sort of situation?

Mr. Thornton. I presume during the period he is serving here he is probably not enrolled under the GI bill and not receiving benefits. This would not affect his entitlement to continue and be considered satisfactory progress when he goes back, even though he has to go one semester beyond that which his fellow students who didn't take a leave of absence from school would, so to speak; it would not affect that.

Our guidelines also permit a student who is going part time, for example, to go a longer period of time. For example, if a student is taking 6 semester hours per semester and he is enrolled in a course that requires 120 semester hours, that would allow him a period of 10 years in which to reach that degree and not be considered unsatisfactory progress because 6 divided into 120 would give the 20 semesters or 10 school years.

We will allow for three-quarters time, for one-quarter time; we allow for a person taking 12 hours to use 5 years to get a regular 4-year degree and so on; so we try not to be unreasonable.

Now we have met with the people from——

Mr. Ford. You understand that the students who do this are paying their tuition for the period that they are here because those are the only conditions under which they can get the credit?

Mr. Thornton. I don't know what type of approval that might be. There are provisions in the law for cooperative programs where students go out and work on the job and those programs usually are 5-year programs rather than 4-year programs, and Congress has provided a special rate of allowance for cooperative-type programs.

It may be that this is that type of program that would not be considered an extension.

Mr. Ford. That is becoming quite common with colleges and universities now, to reach out and try to place students for some period during their education——

Mr. Thornton. And give credit.

Mr. Ford. In an internship program of one kind or another.

Mr. Cleland. Mr. Chairman, in your description of this case. I understood you to say that that internship would not count toward a degree or the huors earned under that internship would not count toward a degree. In that case, Veterans' benefits would not be eligible. If it did count toward a degree, then we could pay.

Mr. Thornton. Yes.

Mr. Cleland. I think that is the key point. If the course did not count toward a degree, then we would not be able to pay benefits. If it did count toward a degree, we would be able to pay for such an internship.

I feel pretty strongly about this, since my interest in government comes from a semester in Washington in which I did some independent study and research here, and when I was in the State senate I had interns that got college credit that counted toward their degree. So I am very supportive of this kind of course and I would be disappointed if indeed they got credit at their college and university and that credit counted toward a degree. I would be disappointed if we couldn't pay veterans' benefits for that.

Mr. Thornton. Earlier today there was a statement made that sounded like we might not pay benefits for research for thesis and work done in absentia by graduate students and so on. We have for many years, for 20 years or more, had a specific regulation for graduate students where the school exercises control to the extent that if they know the participation rate of the student, they can certify it to us and we will pay full time, quarter time, or half time, based on the certification from the school. The dean of the graduate school, for example, could tell us this man is in full-time research work on his thesis.

Mr. Ford. The difficulty is that the way in which you are attempting now to measure reasonable progress gets you into mechanical rules. When you start applying them to 3,500 institutions, as different as 3,500 things can be, it runs into this kind of a problem. Maybe with only some——

Mr. CLELAND. May I make an observation? The reason that we are into this kind of thing is actually more basic, and that is that the original intent of the GI bill was that it was not just a benefit but it was a benefit toward an educational objective; and then you get into the business of attempting to measure the progress toward that educational objective, and that, I guess, is why the law came about and why we are here.

There is a fundamental aspect of the GI bill that ever since Congress enacted it in 1944 says that, or assumes that, progress will be made toward an educational objective. Once that assumption is made, then you are back to measuring that somehow, or attempting to stay on it or on top of it, to make sure that that is accomplished. That is the position we are put in now, of attempting to measure that, the Congress laid down a couple of guidelines.

Mr. FORD. I think the Office of Education discovered that, in trying to do this, they were more likely to succeed if they tried to transfer that responsibility down to the lowest local level. The question is whether you could have a set of alternative standards the way the law stands now that would permit institutions to meet certain kinds of commitments to you and then that would transfer to them the jurisdiction over the question of whether a student was or was not making progress.

Mr. THORNTON. In late March we met with the people from the education community and they agreed that the American Association of Collegiate Registrars and Admissions Officers would set up a task force to see if they could come up with something that would give us some definite guidelines that would help us to give guidelines to our regional offices that would do this very thing you are talking about and relieve the schools of having to look every semester, semester by semester, at whether or not he is making progress according to Public Law 94–502.

Last Friday the executive director of AACRAO met with the deputy administrator, the general counsel, the chief benefits director, and me. They have not come up with specific recommendations yet. They did say that the school people they have met with were in favor of repealing that section of the law; however, they did agree that within a week or 10 days they will come back with some specific recommendations. One of the ideas that they are going to consider is just what you are mentioning, if a school will come up with satisfactory standards of progress that would assure that by their system they would catch these people that are not making progress toward their goal, then they would not have to follow this detailed guideline that we have published about semester by semester looking to see whether he is going to graduate in 4 or 5 years.

Mr. FORD. Then what you are saying is that you are now working toward a system with the objective, if it could be worked out, of permitting some institutions at least to assume the responsibility?

Mr. THORNTON. That is one of the ideas that we are exploring with them now.

We also had a similar type of discussion with representatives from the State approving agency organization that Mr. Cleland referred to, that we held about 2 weeks ago, wasn't it?

Mr. CLELAND. Yes.

Mr. FORD. Now, from the education community there has been the complaint that the educational approving by agencies established in the States has not been done in any kind of uniform way. I recognize Mr. Cleland's emphasis in his statement to the effect that this is a Governor's appointment and the Governor's prerogative, and we don't want to interfere with the States in their accrediting and so on.

To what extent do you have complaints either from institutions or from veterans about inconsistencies, anomalies that occur between States that are adjacent to each other, for example, because they have set different rules in different States?

Mr. McMichael. There has been a number of complaints; there is no question about it, because certain State approving agencies have different standards than others, and particularly as schools begin to branch out across State lines and have branch campuses in many, many States, this becomes more and more a problem for those schools. We are working with the State approving agencies to, first, attempt to provide them with greater technical information, to try to have some kind of clearinghouse so that when we do cause these problems, and try to implement various basic regulations of the Veterans' Administration, that we can achieve to the extent possible greater uniformity.

Mr. Ford. The 94th Congress in its report had—which I am sure you are intimately familiar with——

Mr. McMichael. Yes, sir.

Mr. Ford [continuing]. The report kept talking about the serious and nonserious students, like they were terms of art. When they came to those of us who tried to deal with this problem from the perspective of education, we had some difficulty determining what the artful phrases really meant. Have you written regulations to define "serious and nonserious students"?

Mr. McMichael. No, but we have written regulations to implement the law which attempted to separate serious and nonserious students by providing basic regulations that serious students are those who generally progress toward an educational or vocational objective within the time certified in the school.

Conversely, nonserious students are those examples cited in the hearings last year in which you have had students who enrolled in courses then take withdrawal or nonpunitive grades and reenroll in the same course semester after semester after semester; and those are what I believe Congress had in mind when it referred to "nonserious students."

Mr. Ford. But the education community tells us that they, at this point, don't know what you mean or what was meant as they try to measure the serious and nonserious students. What you are suggesting is that the combined impact of the regulations is designed to define that?

Mr. McMichael. Yes, sir.

Mr. Ford. You don't try to define it in any one place?

Mr. McMichael. That is correct, sir.

Mr. Ford. Are you going to try to define that, or do you think you should?

Mr. McMichael. Well, the law itself does not speak to serious or nonserious students; it speaks to basic procedures and guidelines as to the sort of progress that must be made.

I think it might be difficult to come up with a universal definition of what is "serious or "nonserious students."

Mr. FORD. Back to the State approving agencies, the thread that runs through here from your testimony and from people who have sometimes been your critics indicates that there is a continuing problem with the State approving agencies, a difficulty with coordinating activities, a difficulty with people whom they govern living with the rationale that they provide.

Since you finance these operations, to what extent are you in a position to attempt to develop any kind of uniformity in the way at least in which they proceed, as distinguished from the decisions they make?

Mr. CLELAND. Mr. Chairman, that is an interesting comment on the question of Federal interference. If we did attempt to provide much more than technical assistance or information or financial support or basic guidance, I guess we could be accused of really beginning to interfere with their judgment of whether or not a school in their area was qualified or not.

Mr. FORD. Max, your statement mentions the fact that State agencies might have more stringent regulations for the student or the institution to meet than the Federal regulations and that the Congress clearly intended to allow this. But the complaint is not coming that your regulations are more of an interference than the State regulations.

I think I am stating accurately the consensus of complaints that have developed in the last couple of years. The complaints are not directed at a regulation within the State of Michigan that is tougher for Michigan because of a Michigan decision than it is someplace else; it is a regulation coming from your shop that kicks up the fuss.

There are about five basic areas in 2 years that have really become such widespread issues across the country, and two of them, of course, are statutory which we have already discussed, and we can only encourage the appropriate committee to take a look at that.

This committee might be interested in recommending that they give your office authority to deal with the 2-year rule, for example, in the same way or an even broader way than you can deal with the 85–15 rule, so that you don't have people sitting out there thinking that you are ignoring their cry. In fact, my first reactions to this were what in the world is going on at VA? Don't they hear anybody. It is now apparent that many of us did not understand that your ability to react to these complaints is very limited. Perhaps we have to begin trusting the bureaucracy a little bit more than we have in the past.

If you have some ideas about how we can be helpful in bringing together the other Federal educational program designers, particularly our friends over at HEW, and your agency using us to establish a common ground or neutral territory, if it is needed, we would be most happy to cooperate in doing this.

The greatest threat we have to the continuance of your programs and the continuance of our program is that wherever the irritation comes, if the irritation is directed toward the Federal Government, dollars mean interference in our traditional system and it destroys support for the programs.

Nothing turns people off like redtape and fighting with regulations. They just lose their interest in supporting something that many of us believe has to be protected. I don't believe that any of the criticism I am hearing about difficulties with the VA are predicated on the idea that you ought to get out of the education business or that somebody else can do it better. They are predicated on the idea that it has now become apparent that the Federal Government has not been moving in a comprehensive way in the same direction with regard to its objectives in supporting students.

There is a very basic difference in the way you articulate the goal of veterans' education and the way in which I think most of the veterans perceive that goal.

I don't see, as rigidly as the law seems to dictate, that a specific educational objective has to be predetermined and always present. Most of the education programs—the other education programs except social security—try to stay away from the trap that this sets for you and for everyone else trying to administer the program, of trying to reach a goal that is probably not even real.

You force veterans to say "This is my goal" when in fact they haven't made up their minds and don't have the same freedom to change that they would have if they had a rich uncle who was paying for the education.

There may be a basic difference in what Congress is telling you and what Congress is telling others who administer education problems about where you are supposed to place your emphasis.

I think your testimony has highlighted at least three specific areas where it is very clear that the law you are working with has pointed you in a little different direction than it points the Office of Education. Without regard to which direction is correct, we ought to be able to get you both going in the same direction.

If we have to legislate here to do it, we would appreciate any suggestions that you have about what kind of legislation we are going to need. That bring us to a question that you raised when you mentioned that the President asked for money to extend eligibility to 10 years.

Do we need legislation in order to do that?

Mr. Cleland. No, sir. Presently the law is that the Ford administration requested of Congress that it cut it back to 8 years, and the Ford budget reflected that.

The President reversed that decision, said he was willing to stick with 10 years and actually include money back in his budget for that; so legislation is not needed. It was an action that he took——

Mr. Ford. Well, I want to thank you. I am informed that Mr. Buchanan is tied up on the floor with an amendment. I really appreciate the amount of time that you have put into your preparation for today, the material you have provided to the committee, and your cooperation every step of the way in getting together with us. I particularly appreciate your patience with a very trying method of conducting a hearing.

I would like to get together with you and talk about the possibility of meeting with members of the committee who are interested and you and your staff, on an informal basis sometime soon, as we get some of these hearings behind us, to discuss some specific problems and solutions. We certainly solicit any suggestions you have on what this committee ought to be looking at in attempting to evaluate your programs in context with all of the others.

We are not trying to make a comparison at all. You enjoy both the blessings and the curses of having inherited a program that is almost sacred in the political journals around here. I can't imagine any political mileage for anyone in voting against veterans education benefits, but it is apparent to me that without watching very closely, I have been voting for some veterans' education bills that have not been as liberal as I thought they were.

I think it is safe to assume we are not treating my son's generation anywhere nearly as generously as I was treated. At the same time, if Congress really intended to be penurious on this, we ought to know that we have been doing it.

I think that the most of us thought we were doing something better than we had done before.

It is very clear that you are administering a program that is much more difficult than its predecessors. It is kind of a lie, isn't it, to say that we have a program that worked for all these years so well that we are going to completely turn it inside out and then wonder why it doesn't work as well as it did before.

I think that the committee and the people who pay attention to this record will now understand better than before that the so-called GI bill is not as simple from your perspective as everybody assumed it to be.

I appreciate more than anything else the attitude that you have displayed toward us of patient reaction to our requests for information.

Thank you very much.

Mr. CLELAND. Mr. Chairman, we are delighted to be here. We appreciate your interest in making sense out of the Federal Government's policies in terms of education. We in the Veterans Administration do feel we have a quite unique, and as I mentioned at the outset, fascinating and complex education program.

We look forward to working with you and your committee in articulating the goals of the program and seeing how we can work with other agencies of the Federal Government.

We are available to you at any time.

Mr. FORD. Thank you very much.

The committee will stand adjourned.

[Whereupon, at 12:55 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Washington D.C., June 24, 1977.

Mr. MAX CLELAND,
Administrator, Veterans' Administration,
Washington, D.C.

DEAR MR. CLELAND: In further regard to the issues discussed when you testified before this Subcommittee on June 16, I am enclosing a copy of a letter sent by a witness at an earlier hearing. The President of the State Higher Education Executive Officers Association, M. Olin Cook, raises several problems presented by VA regulations. I would appreciate your comments on each of them for the hearing record.

With kind regards, I am

Sincerely,

WILLIAM D. FORD, *Chairman.*

DEPARTMENT OF HIGHER EDUCATION,
Little Rock, Ark., June 11, 1977.

The Hon. WILLIAM D. FORD,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, House Office Building, Annex No. 1, Washington, D.C.

DEAR MR. FORD: I appeared before your subcommittee on June 8 in the capacity of president of the State Higher Education Executive Officers Association. During this hearing we discussed the situation with the Veterans' Administration. You asked that I send you material which could be used at a later hearing.

After returning to Arkansas I have discussed this situation with several of the Arkansas College and University Presidents. I hope that the following brief facts will assist your subcommittee.

1. Institutions are told by the VA that they cannot give a simple pass or fail in courses. Grades must be the usual letter grades. Several of our institutions have specific courses where only pass or fail has been given for years. In the case of the veteran we are told that we no longer can do this, but must use A. B, C, etc. I maintain that this ought to be left up to the institution.

2. State VA officials indicate that there has to be certain items in the institution's catalogue. They are specific to the point of what policies have to be included. This, I maintain, gets the VA directly involved in the administration of the school.

3. Attendance has to be kept as the VA dictates if benefits are given to the veteran. The prescribed manner is too complicated.

4. There have been instances where regional or national VA personnel have indicated that the State VA personnel did not have any choice in matters of policy. I do not believe that the VA or at least that Congress intended that the VA dicate all the policies which have been indicated.

I realize that there must be some rules and regulations. I was a veteran and appreciated the benefits. My first college courses were taken at night with all veterans in enrollment. Schools should not make the differences between the veteran and non-veteran. Present policies are too involved for sound education.

Thank you for this opportunity.

Sincerely,

M. OLIN COOK, *Director.*

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

AUGUST 4 - 1977

The Honorable
William D. Ford
Chairman, Subcommittee on
  Postsecondary Education
Committee on Education and Labor
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

We appreciate the opportunity given to us by your letter of June 24, 1977, to comment on the problems raised by M. Olin Cook, President, State Higher Education Executive Officers Association, concerning certain VA regulations. We would like to state that Mr. Cook's letter sets forth what appears to be several misunderstandings.

First, the Veterans Administration has not informed educational institutions that they cannot give a simple pass/fail grade for courses. We have never required nor advocated any particular grading system. In this regard, however, the pass/fail system often provides that a failure is nonpunitive (i.e., excluded from grade point computations or other progress requirements). Effective December 1, 1976, Public Law 94-502 amended section 1780(a) of title 38, United States Code, to prohibit educational assistance for the pursuit of courses in which the grade assigned is not used in assessing graduation requirements. In the absence of mitigating circumstances, an overpayment in the eligible student's benefit account must be created where a nonpunitive failure is received.

Second, in the same vein, the Veterans Administration does not require schools to keep attendance. Pursuant to section 1784 of title 38, United States Code,

The Honorable
William D. Ford

educational institutions are charged with the responsibility of reporting terminations and status changes without delay. To discharge this responsibility, schools must monitor the pursuit of eligible students. I am enclosing a copy of Information Bulletin 22-76-3 which refers to determining the date of status changes for reporting purposes whenever daily attendance is not taken.

Finally, Public Law 94-502 also amended section 1775 of title 38, United States Code, to prescribe approval criteria for accredited courses. As amended, this section specifically requires the institution to submit to the State approving agency copies of its catalog or bulletin which are certified as true and correct in content and policy. The catalog or bulletin must state the school's progress requirements for graduation and include certain other minimum information. A copy of DVB Circular 20-76-84, Appendix P, is enclosed for your information. Paragraph 6 provides administrative guidelines for implementing this new provision of the law. We believe that this and the other policies noted above stem directly from the current law and, as such, reflect the intent of the Congress.

Again, thank you for giving the VA the opportunity of presenting our views on these important matters.

Sincerely,

Max Cleland

MAX CLELAND
Administrator

Enclosures 2

Department of Veterans Benefits
Veterans Administration
Washington, D. C. 20420

INFORMATION BULLETIN
DVB IB 22-76-3
February 12, 1976

CLARIFICATION OF LAST DATE OF ATTENDANCE DETERMINATION

1. As a result of meetings between Veterans Administration staff and higher education association representatives clarification of the standards of progress regulations was obtained. This clarification is to be published by the American Council on Education, American Association of Community and Junior Colleges and the American Association of Collegiate Registrars and Admissions Officers. The essential points agreed upon are the following:

a. Date of Last Attendance. The VA will accept as satisfactory the last date of pursuit reported by any duly accredited institution which has filed a statement of the institution's policy on determination of academic progress toward graduation requirements, and a statement that the institution has informed students that they are required to report to the institution immediately upon withdrawal or dropping of courses. These steps enable institutions to establish the official withdrawal or drop date required to be reported to the VA promptly, and provide a good-faith basis for establishing a definite date of last attendance within the month of occurrence or immediately thereafter. This will not relieve a school of responsibility if a student fails to officially withdraw and continues to receive benefits for pursuit. A school may determine last date of pursuit in a number of ways. If it does not take attendance, it may use any of the following methods of determining last date of pursuit: (1) last activity date reflected in instructor's record; (2) last papers submitted; (3) last examination completed; or (4) a student's reasonable statement of last date of attendance. The VA will be checking whatever records are available to determine last date of pursuit when it makes a compliance survey.

b. Institutional Liability for Overpayments. Institutions may not be held liable for overpayment except in the case of willful or negligent failure to report changes, or false certification of enrollment, changes or date of withdrawal. The VA acknowledges that occasional clerical errors do not constitute false certification. In any event, the amount of overpayment that may be collected from a school is reimbursed to the school if it is recovered from the eligible person or veteran.

c. Reporting Responsibility. The reporting responsibility is twofold involving the veteran student and the institution. The VA has informed the eligible persons and veteran students of this with notices (VA Form 22-8677X) in the checks and in a letter at the time he or she is awarded benefits.

d. Publication. The VA does not intend to have the State approving agencies require institutions to provide SAA approved special publication notices to veteran students, although it does not consider this to be an unreasonable requirement if imposed by a State. The VA does not require that special information for veteran students be carried in institutional catalogs. This may be a supplement to the catalog if there are special requirements for veterans.

2. A copy of this issue is to be provided to your State approving agency.

A.H. Thornton

A. H. THORNTON
Director, Education and
Rehabilitation Service

APPROVED:
Rufus H. Wilson
RUFUS H. WILSON
Chief Benefits Director

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Department of Veterans Benefits
Veterans Administration
Washington, D. C. 20420

DVB Circular 20-76-84
Appendix P
February 1, 1977

MISCELLANEOUS PROVISIONS OF PL 94-502

1. Purpose. This appendix provides instructions for implementing various provisions of PL 94-502 which have not been covered elsewhere. This appendix also provides rate tables showing rates payable under this law for chapters 34 and 35 beneficiaries.

2. Ending Date - Chapter 34 Eligibility. PL 94-502 establishes final dates beyond which active duty service will no longer establish eligibility to chapter 34 educational assistance.

a. The basic ending date is December 31, 1976. Individuals entering service after December 31, 1976 (with limited exceptions) have no eligibility to benefits under chapter 34. Basic eligibility, therefore, is based on those periods of active duty, any part of which occurred after January 31, 1955 and before January 1, 1977.

b. The exception mentioned in subparagraph a above applies to a person who prior to January 1, 1977, enlists in or is assigned to a reserve component under a DEP (Delayed Enlistment Program) or DCAD (Delayed Call to Active Duty) and subsequently serves on active duty for a continuous period of 181 days, any part of which occurs on or before January 1, 1978, and is discharged or released from active duty under conditions other then dishonorable. Such a person would be entitled to chapter 34 educational assistance. When the period of active duty is less than 181 days, eligibility to chapter 34 educational assistance may be established if the person is discharged or released from active duty due to a service-connected disability.

3. Ending Date Chapter 34 Entitlement Computation

a. The ending date for computing an otherwise eligible person's entitlement to chapter 34 educational assistance shall be the date of such person's first discharge or release from active duty after December 31, 1976, for any person serving on active duty on December 31, 1976, or any person entitled to chapter 34 benefits due to enlistment in a DEP or DCAD program.

b. The phrase first discharge or release as used above means the first such date a person is eligible for complete separation from service (i.e., first enlistment period ending on or after January 1, 1977) even though said person may reenlist for subsequent service on the same date.

4. Final Cutoff Date - Chapters 34 and 36 Benefits. No educational assistance allowance may be afforded under chapter 34 or 36 after December 31, 1989.

5. Explanation of DEP (Delayed Enlistment Program) and DCAD (Delayed Call to Active Duty)

a. The DEP and the DCAD are programs whereby individuals enlist in or are assigned to a reserve component and subsequently enter active duty in the Armed Forces or the Public Health Service. (NOTE: The National Oceanic and Atmospheric Administration does not have such a program.) Normally, under these programs, a person may delay his/her entry onto active duty for 180 to 270 days up to a maximum of 365 days from the time of entering into the enlistment agreement. Although in certain instances extensions may be granted, the person must enter into the DEP or DCAD agreement prior to January 1, 1977, and begin serving on active duty on or before January 1, 1978, in order to have potential chapter 34 eligibility.

b. If a claimant's application for chapter 34 educational assistance and/or the DD Form 214, Armed Forces of the United States Report of Transfer or Discharge (Public Health Service uses PHS Form 1867), show a basic EOD (Entered on Active Duty) date subsequent to December 31, 1976, and prior to January 2, 1978, a careful review must be undertaken to determine possible eligibility as outlined in paragraph 2b of this appendix. If the DD Form 214 or application indicates an enlistment or assignment date to a reserve component prior to January 1, 1977, and a subsequent EOD prior to January 2, 1978, then verification from the appropriate Service Department or the Public Health Service concerning the applicant's enlistment under a DEP or DCAD program must be undertaken, unless sufficient supporting documentation is already of record.

c. Whenever development is necessary a VA Form 07-3101, Request for Information, will be completed and forwarded to the appropriate records center requesting verification of the applicant's enlistment under a DEP or DCAD. The VA Form 07-3101 should state the following:

(5) A statement regarding the progress records maintained by the institution and furnished to the student; and

(6) The institution's policy and regulations relating to student conduct and conditions for dismissal for unsatisfactory conduct.

b. Liaison representatives will notify all schools offering accredited courses of this added provision of 38 U.S.C. 1775. Catalogs or bulletins previously published will not be affected by this requirement. However, the next catalog or bulletin published by the school must meet these requirements and the required certification must be submitted with the catalog or bulletin.

c. PL 94-502 also amends 38 U.S.C. 1775 relating to the basic approval of accredited courses, to codify institutional responsibility for recordkeeping and enforcing their standards of progress. This provision does not add any additional approval requirements but states in statutory language the standards of progress requirements currently contained in VAR 14253(D)(1) and (3). The statute now requires that SAA's must find that adequate records are kept by the educational institution to show the program of each eligible person or veteran and must include as a minimum the following requirements:

(1) Adequate records as prescribed by the SAA relating to progress or grades; and

(2) Adequate records showing satisfactory standards relating to progress and conduct are enforced.

Rufus H. Wilson
RUFUS H. WILSON
Chief Benefits Director

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"Request verification of enlistment under (DEP (Delayed Enlistment Program) or DCAD (Delayed Call to Active Duty)) to include date of enlistment or assignment to a reserve component, the first subsequent EOD and RAD dates and the character of discharge."

d. Development will not be necessary if a copy of the enlistment agreement under DEP or DCAD is of record. For this agreement the Department of Defense uses DD Form 4C, Enlistment or Reenlistment Agreement (page 4 of which contains the DEP data) and Public Health Service uses PHS 4426, Memorandum of Understanding Concerning Participation in Delayed Call to Active Duty. To be acceptable without additional development, the enlistment agreement must clearly show the date the agreement was entered into and be supported by a DD Form 214.

6. Additional Conditions for Approval of an Accredited Course Under 38 U.S.C. 1775

a. In addition to the existing requirements for approval of a course as accredited, schools must now submit to the State approving agency a certification that the school's catalog or bulletin is true and correct in content and policy. This certification must be made by an authorized official of the school. The catalog or bulletin must specifically state the school's progress requirements for graduation and, at the minimum, must include the following information:

(1) The institution's policy and regulations relative to standards of progress required of the student by the institution (this policy will define the grading system of the institution);

(2) The minimum grades considered satisfactory;

(3) The conditions for interruption for unsatisfactory grades or progress and a description of the probationary period, if any, allowed by the institution;

(4) The conditions of reentrance for those students dismissed for unsatisfactory progress;

DVB Circular 20-76-84
Appendix F
Exhibit B

February 1, 1977

TABLE II. CHAPTER 35 EDUCATIONAL ASSISTANCE RATES[1]
(NEW AND RECENT HISTORICAL RATES)

TYPE OF COURSE/TRAINING	MONTHLY RATES		
	PL 93-508 (Eff. 9-1-74)	PL 93-602 (Eff. 1-1-75)	PL 94-502 (Eff. 10-1-76)
INSTITUTIONAL			
FULL TIME	$270	$270	$292
3/4 TIME	$203	$203	$219
1/2 TIME	$135	$135	$146
LESS THAN 1/2 TIME BUT MORE THAN 1/4[2]	$130	$135	$146
1/4 TIME OR LESS[2]	$ 65	$ 68	$ 73
COOPERATIVE			
FULL TIME ONLY	$209	$217	$235
FARM COOPERATIVE			
FULL TIME	$217	$217	$235
3/4 TIME	$163	$163	$176
1/2 TIME	$109	$109	$118
APPRENTICESHIP/OJT			
1st 6 MONTHS	$189	$196	$212
2nd 6 MONTHS	$142	$147	$159
3rd 6 MONTHS	$ 95	$ 98	$106
4th AND ANY SUCCEEDING 6 MONTHS	$ 47	$ 49	$ 53
SPECIAL RESTORATIVE (FULL TIME ONLY) PLUS	$260	$270	$292
ACCELERATED CHARGES			
COST OF TUITION AND FEES IN EXCESS OF:	$82 PER MONTH	$85 PER MONTH	$92 PER MONTH
ENTITLEMENT REDUCED 1 DAY FOR EACH:	$8.69	$9.02	$9.76
CORRESPONDENCE FOR SPOUSES AND SURVIVING SPOUSES ONLY (1-1-73)	ENTITLEMENT CHARGED AT THE RATE OF 1 MONTH FOR EACH AMOUNT PAID AS SHOWN BELOW.		
	$260	$270	$292

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[1] If a program of education is pursued by an eligible person at an institution located in the Republic of the Philippines, the educational assistance allowance shall be paid at a rate in Philippines pesos equivalent to $0.50 for each dollar (VAR 14137(D)).

[2] The monthly rate for training at less than 1/2 time but more than 1/4 time, or at 1/4 time or less, may not exceed the monthly prorata cost of the course as specified in VA Regulation 14137(B), or the rate listed here, whichever is the lesser.

TABLE I. CHAPTER 34 EDUCATIONAL ASSISTANCE RATES (NEW RATES AND RECENT HISTORICAL RATES)

TYPE OF COURSE/TRAINING	MONTHLY RATES FOR VETERANS												MONTHLY RATES FOR SERVICE PERSONNEL *		
	PL 93-508 (Eff. 9-1-74)				PL 93-602 (Eff. 1-1-75)				PL 94-502 (Eff. 10-1-76)				PL 93-508	PL 93-602	PL 94-502
	NO DEPS	ONE DEP	TWO DEPS	ADD'L DEP	NO DEPS	ONE DEP	TWO DEPS	ADD'L DEP	NO DEPS	ONE DEP	TWO DEPS	ADD'L DEP	Eff. 9-1-74	Eff. 1-1-75	Eff. 10-1-76
INSTITUTIONAL FULL TIME	$270	$321	$366	$ 22		SAME RATES AS PL 93-508			$292	$347	$396	$ 24	$260	$270	$292
3/4 TIME	$203	$240	$275	$ 17					$219	$260	$297	$ 18	$195	$203	$219
1/2 TIME	$135	$160	$182	$ 11					$146	$174	$198	$ 12	$130	$135	$146
LESS THAN 1/2 BUT MORE THAN 1/4*	$130	-	-	-	$135	-	-	-	$146	-	-	-	$130	$135	$146
1/4 TIME OR LESS*	$ 65	-	-	-	$ 68	-	-	-	$ 73	-	-	-	$ 65	$ 68	$ 73
COOPERATIVE FULL TIME ONLY	$217	$255	$289	$ 17		SAME RATES AS PL 93-508			$235	$276	$313	$ 18			
APPRENTICESHIP/OJT 1st 6 MONTHS	$189	$212	$232	$ 9	$196	$220	$240	$ 10	$212	$238	$260	$ 11			
2nd 6 MONTHS	$142	$164	$184	$ 9	$147	$171	$191	$ 10	$159	$185	$207	$ 11			
3rd 6 MONTHS	$ 95	$117	$137	$ 9	$ 98	$122	$142	$ 10	$106	$132	$154	$ 11			
4th AND ANY SUCCEEDING 6 MONTHS	$ 47	$ 70	$ 90	$ 9	$ 49	$ 73	$ 93	$ 10	$ 53	$ 79	$101	$ 11			
FARM COOPERATIVE FULL TIME	$217	$255	$289	$ 17		SAME RATES AS PL 93-508			$235	$276	$313	$ 18			
3/4 TIME	$163	$191	$218	$ 13					$176	$207	$235	$ 14			
1/2 TIME	$109	$128	$145	$ 9					$118	$138	$157	$ 9			
CORRESPONDENCE	ENTITLEMENT CHARGED AT RATE OF 1 MONTH FOR EACH $260 PAID				ENTITLEMENT CHARGED AT RATE OF 1 MONTH FOR EACH $270 PAID				ENTITLEMENT CHARGED AT RATE OF 1 MONTH FOR EACH $292 PAID				ENTITLEMENT CHARGE THE SAME AS FOR VETS $260	$270	$292
FLIGHT	ENTITLEMENT CHARGED AT RATE OF 1 MONTH FOR EACH $260 PAID				ENTITLEMENT CHARGED AT RATE OF 1 MONTH FOR EACH $270 PAID				SAME ENTITLEMENT CHARGE AS PL 93-602				ENTITLEMENT CHARGE THE SAME AS FOR VETS $260	$270	$270

* THE MONTHLY RATE FOR SERVICE PERSONNEL OR TRAINING AT LESS THAN 1/2 TIME BUT MORE THAN 1/4, OR 1/4 TIME OR LESS MAY NOT EXCEED THE MONTHLY PRO RATA COST OF THE COURSE AS SPECIFIED IN VA REGULATION 14136(B), OR THE RATE LISTED HERE, WHICHEVER IS THE LESSER.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
Washington, D.C., June 28, 1977.

Hon. **MAX CLELAND,**
Administrator, Veterans' Administration,
Washington, D.C.

DEAR MR. CLELAND: In connection with our oversight hearings on federal student assistance programs, I am enclosing for your reference a copy of a letter I have received from Mr. Richard A. Fulton. Mr. Fulton, an attorney with the firm of Sachs, Greenbaum and Tayler, in Washington, D.C., was present at our hearing on June 16 at which you testified.

As you will note, Mr. Fulton is alleging that there are apparent inconsistencies between your testimony before our Subcommittee and testimony presented on behalf of the Veterans' Administration in a recent court proceeding. Since this letter will become a permanent part of our hearing record, I thought you might like an opportunity to respond. If you do wish to respond please let us know and we will keep our hearing record open for a reasonable time in order for you to submit your response.

Sincerely,

WILLIAM D. FORD,
Chairman.

SACHS, GREENBAUM & TAYLOR,
Washington, D.C., June 24, 1977.

Hon. **WILLIAM D. FORD,**
U.S. House of Representatives, Subcommittee on Postsecondary Education, Cannon House Office Building, Washington, D.C.

Attention: Thomas Jolly, Esquire, Subcommittee Counsel.

DEAR CONGRESSMAN FORD: In response to your request of Thursday, June 16, 1977, immediately after your oversight hearings on the Veterans Administration, I include with this letter an excerpt from the testimony of VA witness Myron Wolowitz, who testified in the National College of Business case in Rapid City, South Dakota. Statements by Mr. Wolowitz to the court, under oath, do not seem to exactly square with VA Administrator Cleland's written statement and oral affirmation before your subcommittee. For example, Mr. Wolowitz at page 310 of his testimony takes the position that the GI Bill is a "gratuitous benefit" for which "there was no promise." On the other hand, VA Administrator Cleland at two points in his testimony to you of June 16, refers both at page 6 and at page 9 to the GI Bill as an "entitlement." This does seem inconsistent.

A more striking difference of opinion is a comparison of the Cleland with the Wolowitz view of the responsibilities of state officials. VA Administrator Cleland in his written statement at page 7, with the statement being underlined (I assume for emphasis), in the first full paragraph concludes with regard to the role of state authorities and private accrediting bodies *"If they were sufficiently reliable, we would not have witnessed or had to worry about abuses or fraud at the federal level."*

Curiously, Mr. Wolowitz in his testimony under oath in the National College of Business case, in response to a question as to how successful have these agencies (referring to the state approval agents) been in preventing abuses of the veterans' program responded, and I quote from the record at page 297:

"It is not their function to prevent abuse. Their function is to improve courses and where it finds that a course no longer meets the requirements of the law for approval, we withdraw the approval.

"It is not and never has been the function of state approving agencies to be a police force."

Possibly, perhaps, other inconsistencies could be developed by a fine-tooth combing of the VA officials' correspondence with schools and statements under oath in court. However, I think these two situations are worthy of the Committee's attention.

It was indeed a privilege to attend the hearings last Thursday, which you conducted. It is my opinion that your chairing of these hearings has indeed set a high standard for propriety and openness. Any defensiveness manifested by the VA certainly was a choice they made. I could find no basis that it was forced upon them by either the questioning of the Committee or the general atmosphere.

Higher education should indeed be indebted to you for these oversight hearings.

Sincerely,

RICHARD A. FULTON.

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

SEPTEMBER 8 - 1977

The Honorable
William D. Ford
Chairman, Subcommittee on
 Postsecondary Education
Committee on Education and Labor
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

I appreciate the opportunity you have given me to respond to the allegations raised by Mr. Richard A. Fulton, Counsel for Wayne State University in its suit against the Veterans Administration, concerning inconsistencies between my testimony before your Subcommittee on June 16, 1977, and statements made by Veterans Administration officials in the National College of Business case.

I do not believe, as Mr. Fulton contends, that there is any inconsistency in my using in my testimony the term "entitlement" with respect to the GI Bill, and testimony by Mr. Myron Wolowitz in the National College of Business case characterizing the GI Bill as a "gratuitous benefit." Both of these descriptions must be considered in their proper context.

On both pages 6 and 9 of my prepared statement I used the term "entitlement." In both cases the term is used to describe the "entitlement" to a maximum of 45 months of educational assistance as provided in section 1661 of title 38, United States Code. Under the provisions of that section of law, the number of months of "entitlement" is premised upon the number of months of active duty service performed by the individual veteran. A veteran with less than 18 months of service is "entitled" to educational assistance at the rate of 1 1/2 months of benefits for each month of service while a veteran who serves on active duty for a period of 18 months or more is "entitled" to a maximum period of 45 months. Thus, the term "entitle" refers to the number of months of benefits a veteran may receive, but in itself this does not denote any property right.

I would point out that the courts have recognized that veterans' benefits are gratuities, as Mr. Woiowitz testified. In the recent case of Wayne State University v. Cleland, No. 7-70973, Eastern District of Michigan, Judge Damon J. Keith, in his Memorandum Opinion, stated in Footnote 3, as follows:

> "Many courts have found veterans' benefits to be mere gratuities, which create no vested rights in the recipients, and which may be withdrawn or modified by Congress at any time and under any conditions which Congress may impose."

Judge Keith goes on to cite prior cases in which the same position has been taken by other courts.

Turning to the second alleged inconsistency cited by Mr. Fulton, you will find that the two statements are quite compatible. I testified before your Committee that we have learned from experience and through independent reports (cited in my testimony), such as the ones prepared by the Educational Testing Service and the Brookings Institution, that neither accreditation by the voluntary associations, nor approval by the State approving agencies are sufficiently reliable. You may recall that under section 1775 of title 38, United States Code, the U.S. Commissioner of Education determines which accrediting agencies are reliable authority as to the quality of training being offered. This explains why I used the word "reliable."

The State approving agencies may rely on accreditation as part of their work which is to ascertain the qualifications of educational institutions and to supervise them. Quite frankly, this should include tighter supervision than we have been getting in some States. On the other hand, I quite understand how Mr. Wolowitz testified that it is not their function to prevent abuse, a statement he made in the context of a line of questions designed to show that the enactment of Public Law 94-502 was not necessary, questions designed to show that the State approving agencies were an existing mechanism to prevent abuse. Obviously Congress decided that Public Law 94-502 was necessary, since the primary function of the State approving agencies is to approve courses and schools.

We may be getting things a bit mixed up here between Mr. Wolowitz's very technical testimony--Mr. Wolowitz is a lawyer appearing as a witness--and my own statement. The law says that the Administrator, under section 1773, shall establish cooperative relationships with the State approving agencies "and particular attention should be given to the enforcement of approval standards...."

As Mr. Wolowitz testified: If a school violates the rules, the State approving agency withdraws approval. That, to my mind, could be called policing or enforcement, but the important thing is that, whether it is called policing, enforcement, or withdrawal of approval, unfortunately, it is not being done well enough, either by the State approving agencies or by the private accrediting bodies.

It is my responsibility to enable veterans (and other beneficiaries) to take advantage of the gratuity bestowed on them by Congress and the Nation, to administer these entitlements according to law by arranging for the approval through the State agencies of those courses of adequate quality which meet the legal criteria, and with as little enforcement and policing as possible.

I appreciate your affording me the opportunity to comment on Mr. Fulton's letter.

Sincerely,

Max Cleland

MAX CLELAND
Administrator

WAYNE STATE UNIVERSITY
DETROIT MICHIGAN 48202

OFFICE OF THE PRESIDENT

June 14, 1977

The Honorable William D. Ford
2368 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Bill Ford:

I regret that I am not able to personally attend the oversight review of your subcommittee on June 16. Wayne's problems are to be presented by the various educational spokespersons who have been selected to testify. Dr. Petitpren will be present on my behalf if you or the Committee have any questions specifically related to Wayne.

I wish to emphasize the serious concern which I have shared previously with you regarding what is generally conceived to be a severe and unwarranted intrusion into the academic governance of Wayne State University by the Veterans Administration. The Weekend College Program of our College of Lifelong Learning is a unique effort by this university to provide higher educational opportunities to working adults in Southeastern Michigan. The format of the program goes beyond the traditional classroom that one normally associates with the pursuit of an undergraduate degree. It incorporates workshops, T.V. lectures over open circuits, and two weekend conferences during each quarter. Upon successful completion of these three courses, the students receive twelve credit hours toward a Bachelor of General Studies degree.

For the first two and one-half years of its existence, the V.A., with full knowledge of the complete details of the program, authorized eligible veterans enrolled in this program to receive full benefits. In March of this year, we were abruptly notified that because these veterans did not have twelve classroom contact hours each week, their benefits would be significantly reduced (by approximately 30%). By this regulation, the V.A. has adopted the postion that for each credit hour earned, a student must attend one classroom academic hour each week during the quarter. This V.A. regulation presumes that the academic quality of a program is a direct function of classroom contact hours.

The V.A.'s assumption that there is a necessary correlation between a prescribed number of classroom contact hours and the academic quality of a program is erroneous. There is no such correlation. This decision by the V.A. constitutes a direct intrusion into the prerogative of the faculty of Wayne State University and its elected Board of Governors who have monitored and continue to monitor the academic quality of the Weekend College Program, its course contents, and its continued eligibility to award bachelor degrees. Furthermore, this program and other programs of Wayne State University have just recently been awarded full accreditation by the agency responsible for this accreditation in our region of the country, the North Central Accreditation Association.

This is not the only instance where the V.A. is attempting to substitute its judgment for the academic judgment of the faculty and the elected Board of Governors of Wayne State University. However, it is the clearest example thus far and has caused the University to seek judicial relief.

I am aware that there have been abuses by institutions of the Veterans Educational Benefit Program in the past, and in all likelihood some abuses continue. However, in addressing this problem, I strongly urge the federal government, and, specifically, the Veterans Administration, to exercise care and judgment so that sound academic programs are not seriously disadvantaged by poorly written regulations, by arbitrary and capricious actions by the V.A. directed at clear abuses, and to refrain from encroaching upon the responsibility of accredited, mature universities to control and make their academic decisions.

I believe the issue here is one of fundamental concern to the federal government and to the educational community in this country. If the V.A. and other federal agencies encroach upon the academic governance of institutions, I believe the academic freedom, which has been the hallmark and the basis upon which our country's strong educational system has developed, will be seriously and permanently altered in a negative fashion and with unacceptable results.

Sincerely,

George E. Gullen, Jr.
President

GEG:db

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 13, 1977.

Hon. WILLIAM FORD,
Chairman, Subcommittee on Postsecondary Education, House Office Building, Annex No. 1, Washington, D.C.

DEAR BILL: Enclosed is a letter from John Corbally, President of the University of Illinois, setting forth problems with Public Law 94–502, dealing with educational benefits programs administered by the Veterans Administration.

Because our Subcommittee is currently holding hearings on these and all other Federal programs providing assistance to students, I would appreciate your including Mr. Corbally's letter in the hearing record.

Very truly yours,

JOHN N. ERLENBORN,
Member of Congress.

Enclosure.

UNIVERSITY OF ILLINOIS,
URBANA-CHAMPAIGN CAMPUS,
Urbana, Ill., May 13, 1977.

Hon. JOHN N. ERLENBORN,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN ERLENBORN: Public Law 94–502 amended the educational benefits program administered by the Veterans Administration. That law has proven to be unusually and unfairly demanding of institutions of higher education with respect to their reporting responsibilities. Such concepts as the "85-15 rule", "2-year rule", and "progress towards a degree" are promulgated by the new law. The requirements of these provisions for higher education are complex and imprecise. Confusion has resulted even to the extent of court action temporarily suspending the 85–15 rule. The law is very difficult to administer from the perspective of colleges and universities.

It is clear that VA programs are beneficial to millions of veterans and that these earned benefits have aided society in general by providing more educational opportunities to veterans as they readjust to civilian life. It is also clear that these programs benefit the education community by encouraging veterans to attend schools.

There is, however, a problem of growing magnitude: the increasing administrative burden and increasing accountability placed upon institutions without adequate funding for administrative expenses. Currently, certifying institutions receive $5.00 per veteran per year for reporting their status. The University of Illinois spends about $30 in comparison. Studies at other campuses indicate the costs routinely exceed $100, while the average throughout the country exceeds $45 per veteran per year.

It is obvious that institutions need more federal financial support to cover expenses for administration mandated by Congress and the VA. Indeed, if the benefit overpayments and institutional liability issues are to be resolved, the programs must be properly administered and the costs associated with those tasks must be adequately covered by federal resources.

Specific problems arise with regard to the "Standards of Progress Toward a Degree." It is understandable that the Federal Government, as the funding sources would stipulate certain qualification for a veteran's eilgibility to receive funds. Public Law 94–502 attempts to set forth measurable standards of progress but it does so imprecisely. Legislation should be written to simplify the reporting of a veteran's progress toward a degree, and to avoid entering the realm of institutional standards versus VA standards. Such a measure could be based on grade point averages, number of hours completed versus number of hours attempted, frequent change of major or degree goal, and the like. These items could be accommodated with data systems or manual reporting procedures within the scope of every institution reporting to the VA. We believe that the VA should be ready to accept the institution's version of "measurable progress" and "good standing". If the VA has determined that the institution is a legitimate, approved institution of higher education and that it does not discriminate for or against veterans as compared to other students, there should be no need for imposition of federal standards which, in their present form, are imprecise and almost impossible to administer.

Meanwhile, institutional liability relative to benefit overpayments is a concept dangerous to the higher education community. First, the imprecision of administrative requirements set forth by Congress and the VA leads to overpayments and liability beyond the control of the institutions. Second, administrative costs are not covered by federal sources and institutional funds provide less than ideal administrative capability at most campuses. Third, the individual veteran receives the benefit checks and should take personal responsibility and accept liability in the event of overpayment. Third-party liability for the institutions is both unfair and unsupportable in the absence of demonstrated fraud on the part of the institution.

These are deep concerns of the higher education community. We seek your assistance in resolving these problems through considered legislation. Your efforts will be greatly appreciated.

Sincerely,

JOHN E. CORBALLY,
President.

APPENDIX

REPORT OF THE
INTERAGENCY TASK FORCE ON
HIGHER EDUCATION BURDEN REDUCTION

December 14, 1976

INTRODUCTION

The Federal Government and colleges and universities have in recent decades entered into a remarkable partnership, building the world's greatest capability for scholarship, advanced education and the application of fundamental knowledge to the pressing problems of our society. The Government played a leading role in recognizing the unique resources represented in our higher education institutions, but has turned in the last 20 years toward offering support for those programs and incentives which further national objectives directly. This growth of categorical aid to universities and colleges has brought with it the expected controls born of the need for stewardship in the use of these Federal monies. Many institutions are critically dependent on this Federal support. As wave after wave of regulations, surveys, and compliance activities have hit, they have until recently endured with suffering and silence, while resources made scarce by shrinking dollars have been diverted to administrative and accountability functions.

In the last few years, however, there has been a rising level of consciousness, an awareness by the institutions that unless a wider perspective can replace the individualistic motivations of those in Federal agencies who, by themselves, define the need for data and detailed accountability, this special partnership between Government and the institutions will be maimed. It is even now severely strained.

In his opening remarks to this Interagency Task Force on Higher Education Burden Reduction, Dr. Mathews, Secretary of Health, Education, and Welfare, said:

> "The strength behind that protest is considerable, determined and permanent. It is an idea whose time has come.
>
> At this point, you have control of how the needed changes will come about. They can come about with some deliberation on the part of people who are invested with the responsibility or they can come about more precipitously with less thought. I am fully convinced that it is in your interest and the interest of your agencies to make some accommodation to the petition of the institutions of higher learning and post-secondary education in this country. I think it serves your purpose and their purposes as well."

The Interagency Task Force brought together, under White House initiative, 28 people from 15 agencies to: assess the problem; evaluate a set of recommendations[1] made by a group of college and university experts on Federal paperwork and reporting burdens; and propose specific steps which would have the greatest effect on the reporting and recordkeeping burdens of the institutions.

1/ Report of the Secretary's Work Group for Consolidation and Simplification of Federal Reporting Requirements for Institutions of Higher Education, HEW, October 15, 1976.

The charge was to have an impact, and promptly. This established the scope for the work of the Task Force. The resultant recommendations below concentrate on relatively immediate steps which would considerably lessen the tensions between academia and the Government and relieve much of the workload that falls on the institutions and Government alike.

RECOMMENDATIONS

1. At present there is no single directory or index to Federal data gathering programs affecting higher education institutions which can be used by the agencies or the various forms clearance offices to identify sources of data, technical survey design expertise, or duplication. The Task Force recommends that the Statistical Policy Division, Office of Management and Budget, should develop such an index, with entries made at the earliest notice from the agencies of plans to collect data and updated as each form is revised or new forms added. This fully-developed capability might involve a computerized information system which could be tapped by remote terminal permitting a search by topic, by data element, and by agency. Periodically it would be possible to produce from this data base a directory of forms being used with higher education institutions, making available a data source reference for use by those seeking data about higher education institutions.

2. The Task Force believes that the data acquisition plan of the Education Division of HEW is an important tool for planning and evaluating information needs and resources. This plan identifies the data gathering activities to be undertaken in the following fiscal year. Those which are approved are the only data acquisition activities which can be mounted that year. The Task Force recommends that all Federal agencies develop data acquisition plans.

3. The Task Force does not find that control of the paperwork dilemma can be gained simply by demanding that agencies meet even more stringent and detailed documentation requirements for the approval of forms than now exist. Many forms designed to collect survey data and to satisfy administrative recordkeeping requirements are well designed, and reflect excellent conceptual, technical, and consultative efforts. Requiring in all cases that forms clearance be subject to extensive clearance documentation discourages the responsible approaches to information collection which should be encouraged. Increased internal paperwork within government can be as needlessly burdensome as it is at colleges and universities.

The Task Force therefore recommends that OMB revise its forms clearance procedures by requiring a notice to OMB of the intention to originate or renew a form. OMB would then assign the form to one of two clearance tracks, using stratified random sampling method. However, controversial or particularly burdensome forms could be assigned to the second track with certainty. The smaller set of forms in the "audit" track would require the full and extensive package of documentation called for in the current OMB instructions for Form 83 and elsewhere in the Task Force report. Intensive OMB review of forms clearance packages in the second track on the described sample basis should provide sufficient basis for an assessment of the agency's capacity to produce optimal information gathering instruments and complete justifications.

In subsequent cycles, agencies with demonstrated success in previous audits should continue to have their work examined on the modified random basis described above. Failure to satisfy the justification and documentation requirements of the Federal Reports Act and related regulations and OMB circulars shall be taken as prima facie evidence of an agency or division's inability to control unnecessary, uneconomical, ineffective, or burdensome reporting requirements. OMB would then audit in succeeding years a much larger portion of clearance packages only from those offices which fail the initial audit.

4. The Task Force recommends that higher education institutions and their representative organizations should serve as experts on the design, feasibility, necessity, and appropriateness of statistical surveys of such institutions. This consultation should be sought by survey sponsors early in the planning process, before data formats and definitions are nearly finalized. Although such consultation would be also available to the Clearance Offices of OMB and GAO, its greater value will be in the development and evaluation phases of survey planning by the agencies.

5. Although there are three basic measures used by OMB to measure Federal reporting requirements (number of reporting forms, number of respondents, and amount of time required to

complete the reports), identifying the level of burden requires the accurate estimation of all three measures. The Task Force review of selected clearance packages and analysis of reporting procedures showed that amount of time required is unlikely to be known accurately by the agencies or OMB.

Most forms require for their completion the cooperation of many offices at colleges and universities, and the number of respondents is a variable multiple of the number of institutions filing the report. The understatement of number of respondents would not itself be a serious problem if the number of person-hours required to complete the forms were actually known. The usual agency practice of estimating average person-hours in almost every case ignores the range of effort across institutions and the fact that the burden is knowable and need not be guessed at by agencies in Washington.

The Task Force recommends that for all forms a sample of respondent institutions be asked to report estimates of marginal person-hours that are necessary to complete the form. This estimate should be given in two categories: (1) the time required for reporting the information after it has been assembled; and (2) the time expended in collecting and assembling the information if it is not already available.

Agencies should design the samples so that good empirical estimates of the distribution of burden can be derived for institutions of different size and type of control. These estimates should be used in weighing the need for the information against its burden to the respondents.

6. Complaints of response burden are frequently to be found at the institution level but less recognized at the agency level. In order to better evaluate the burden of Federal forms, the Task Force recommends that agencies maintain comment and complaint files on a form-by-form basis and use them in forms redesign and in interpretating the data obtained.

7. The Task Force finds ample evidence that the current practices of planning surveys and pretests, and the current statutory requirement of formal clearance of all

surveys addressed to more than nine respondents, are insufficient to minimize the reporting burdens. The Task Force recommends comprehensive pretesting by the form and survey sponsors at a representative group of institutons prior to submission to OMB or GAO for final clearance to permit sponsors to identify potentially onerous aspects of their proposed instruments and generally improve the quality of data collected.

The Task Force also recommends that pretesting should be done on site at institutions so form and survey sponsors can see firsthand any special difficulties and be more able to provide instructions and instruments which will meet the criteria of efficiency, adequacy and minimum burden on respondents.

8. The collection of highly detailed information by which Federal agencies may discover the failure of institutions to comply with regulations or statutes may be inappropriate when respondent burden and practical utility to the agency are considered. The Task Force recommends that screening surveys be utilized to detect the need for the subsequent collection of more detailed data. Although this two-stage approach may appear to take more time, there will be far less respondent burden, the compliance agency will not have to handle such a large volume of unused data, and the staff can be made available for the analytic work which so often is pressed into the background.

9. The Task Force recommends that special attention should be paid by survey sponsors to the workload required for statistical and administrative reporting as it impacts on certain groups of institutions. For example, small institutions have less capability to take on what might be a modest request of a campus with more resources. The data which might be obtained from the smaller institutions or other categories of institutions may weigh very lightly in the corpus of data for decison-making, but nevertheless pose a workload, perhaps a clear example of unnecessary burden.

10. Sampling of the data items should also be used to reduce respondent burden. For example, certain data might be collected by a census of all institutions, while more detailed data could be obtained from just a sample of those institutions. This approach will still be considered a single survey by the Clearance Office, OMB, because its objective is to reduce reporting burden.

11. The Work Group Report[1] recommended that all Federal data activities be consolidated in a single agency in order to reduce the number of Government/institution contacts, standardize definitions, remove duplication, minimize changes in definitions and data formats, and disseminate the results in a timely fashion. Careful examination of the implications of this proposal has led the Task Force to recommend against a single data collection agency. In the view of the Task Force, these objectives would not be guaranteed by such an agency.

On the other hand, there are counter-indications that a single data collection agency could add problems. What is often thought by critics of Federal reporting requirements to be duplication often turns out to be not much redundancy, but a very heavy load of reporting which does not appear necessary. In many cases data serve specific program or policy purposes, and increasing the distance between user and data collector is inadvisable. No currently established agency is staffed or otherwise prepared to handle the heavy workload of such a consolidation, and increased funding of that magnitude is unlikely. Agencies which become dependent on another agency for their data will become vulnerable when exposed to data policies or changing priorities which they cannot control. The complexity of such a new organization would not lead to simplification of the contacts between Government and the institutions. The single agency could not be expected to be able to provide the substantive expertise in the depth now available in specialized agencies.

Many of the recommendations of the Task Force, if implemented, can be expected to cut back on unnecessary or poorly designed data collection efforts. Instead of supporting the single agency concept, the Task Force recommends enhanced support for the continued improvement of statistical agencies and units, such as the survey, data library and dissemination services at the National Center for Education Statistics (NCES).

The Task Force also recommends that survey data from non-federal organizations should be added to the EDSTAT system at NCES to broaden the base of statistical information.

1/ ibid

12. The Task Force recommends that data elements which have multi-agency uses be identified early in the planning process and that priority be given to the early editing and release of responses to these items. The Task Force also urges agencies to utilize partially pre-filled forms, drawing from data already in Federal agency files.

13. The Federal Administrative Procedure Act establishes a process for ensuring that public reaction to Federal policies is considered during the development of regulations. The several steps in this process include publication of a Notice of Proposed Rule Making (NPRM) with a 45-day comment period prior to publication of final regulation; encouraging comments through public hearings; requiring that Federal agencies maintain a record of written comments received during the NPRM comment period for review by interested persons; and, publication of final regulations reflecting public opinions and suggestions for change.

    A quick survey of thirteen of the agencies represented on the Task Force indicates that public involvement is an increasingly important factor in the regulations process, and that the agencies should reflect this in a more systematic way. The Task Force recommends that Federal agencies should, where appropriate, introduce into the current regulations development process a "notice of intent to develop regulations" to be published in the Federal Register with an allowed comment period of 45 days prior to the NPRM stage. The current Notice of Proposed Rule-Making process should, where appropriate, detail the type of reporting forms that will be required by the new set of regulation and estimate the burden institutions will have to assume in collecting or maintaining data. The agency should indicate its willingness to evaluate within two years the impact of the regulation in major policy areas.

14. Accountability for Federal Funds is necessary; however, OMB should reduce the institutional recordkeeping requirements entailed in Federal time and effort reporting and documentation of cost sharing by ensuring that collected information is meaningful and useful. OMB should implement the Commission on Government Procurement recommendation (B-8) which would effectively eliminate the necessity for cost sharing on R&D projects in concurrence with a similar recommendation endorsed by the Federal Paperwork Commission at its meeting on December 3, 1976. OMB should also seek omission of cost sharing requirements in the Independent Offices-HUD and HEW-Labor Appropriations Acts.

15. The Task Force recognizes the accomplishments inherent in OMB Circular A-110, which establishes uniform administrative requirements for grants and other awards received from Federal agencies. This Circular is expected to contribute appreciably to the reduction of the recordkeeping and reporting burden on colleges and universities on all grants and on those contracts, though few in number, to which it applies.

    The Task Force believes that this contribution could be considerably enhanced if the standards set forth in OMB Circular A-110 could apply, in some measure at least, to the majority of contracts for research, training, demonstration, and public service that are generally performed in colleges and universities. There would undoubtedly have to be some flexibility in order to conform to the major procurement regulations, but Circular A-110 represents a significant achievement that should be extended where possible to contracts.

    OMB is urged to consider such extension.

16. A single agency should be identified for managing the Federal interest in selected areas, such as human subjects protection, care and use of laboratory animals, clean air, pure water, and patents. Such an approach could be modeled after the existing cognizant audit agency concept which has reduced duplicative activities associated with financial audits of federally-sponsored programs by assigning each college and university to a single auditing agency, generally the agency with the greatest support to that institution.

The current mode of operation in such areas could be characterized as an informal version of lead agency responsibility, i.e., one agency having the broad legislative mandate in a given area, but other interested agencies are still able to regulate with no assurance that individual provisions are compatible to other existing agency guidelines. A case in point is the area of human subjects research. An institution of higher education may have to negotiate separate general assurance for the use of human subjects in research and related activities reflecting the different requirements of, for example, HEW, ERDA, and the Consumer Product Safety Commission. Under the cognizant agency concept, on the other hand, a single agency would assume complete responsibility for the development of all regulations in that area, reviewing existing regulations across Government and prepare a codification with recommendations for legislative changes as necessary to remove inconsistencies. It would minimize the reporting and recordkeeping burden by being the only agency having interface with higher education institutions in a given area.

In support of the cognizant agency concept, the President should direct all appropriate agencies to respond within 90 days to his request for agency positions in regard to the assumption of the cognizant role in the areas of: (1) human subjects protection, (2) care and use of laboratory animals, (3) clean air, (4) pure water, and (5) patents. After submission of agency positons, OMB should advise the President on the final selection of cognizant agency to each area.

17. The suggestion to consolidate the Federal Government's programs of enforcement of equal employment opportunity, civil rights and affirmative action is attractive although the problems which need to be addressed are too broad and complex to be included as a mission of this Task Force with the current time frame. For example, there is overlapping among various antidiscrimination legislative provisions, Executive Orders, and their implementing regulations designed to prevent discrimination by Government contractors, grantees and employers, public and private. These legislative provisions and Executive Orders are administered by several Federal agencies. This situation, in some instances, leads to undue burden in the form of duplication of enforcement activities which

wastes the resources of all parties and impedes effective enforcement. Civil rights enforcement and the administration of regulations have been perceived in some instances as imposing unreasonable burdens. We have examined the various civil rights regulations and instructions and have determined that there is no significant redundancy in recordkeeping and reporting requirements.

The Task Force recommends that the President form an appropriate group of knowledgeable persons from all relevant agencies and representatives from selected universities and colleges who have expertise in these areas to be convened by February 1977 to explore this complex problem under the chairmanship of a distinguished leader from the higher education community who is knowledgeable, sensitive, and experienced in the field of civil rights. Adequate staff and other support must be provided in this effort. The Presidential group should prepare within a 90-day period an action plan for this consolidation, including the legislative changes necessary to assign "cognizant agency" status (see Recommendation 16).

The Task Force also recommends that the Department of Labor, the Office of Civil Rights (HEW), the Internal Revenue Service, the U.S. Commission on Civil Rights, the Justice Department and the Equal Employment Opportunity Commission coordinate their enforcement activities through a memorandum of understanding.

18. The Federal Government permits recipients of grants and other agreements to purchase nonexpendable personal property. This property must, under OMB Circular A-110, be accounted for if the purchase price of an item is $300 or more. The property management function of the recipient institution involves considerable effort in maintenance of unit records on: the item's description; serial number; source of purchase; acquisition date; cost; location; condition; use; date this information was reported; and ultimate disposition data including sales price, method used to determine fair market value, and other characteristics. In addition to creating a record on each such item of property purchased for $300 or more, a complete physical

inventory must be taken at least biennially; a control system must be established to prevent loss, damage or theft with full investigation and documentation in the event of loss, damage or theft; and adequate maintenance procedures must be established to keep the equipment in good condition. In short, higher education institutions pay a very great additional price (i.e., burden) when they agree to purchase even rather modestly priced equipment with Federal money.

These provisions of OMB Circular A-110 are, of course, designed to assure proper stewardship of property acquired at Government expense. The question has been raised, however, as to why the $300 level has been set. An estimate by the National Association of College and University Business Officers indicates that if the accountability level were raised from $300 to $1,000, there would still be accountability under Circular A-110 for about 84 percent of the dollars represented by this nonexpendable equipment category, but the number of items to be handled as described above would drop 66 percent.

It should be noted that an item of equipment which costs less than $1,000 becomes the institution's property without reimbursement to the Government when there is no further use for it on Government projects. Circular A-110 appears to be interested in controlling the item under $1,000 by extensive recordkeeping, handling, reporting requirements only for the duration of particular projects.

The Task Force recommends that the Financial Management Branch, OMB, change its Circular A-110, Attachment N, Section 2.c. to define "nonexpendable personal property" to include that which is purchased for $1,000 or more, rather than the current $300 level. In this way, a substantial amount of property management and recordkeeping responsibility will be lifted from universities and colleges.

19. Significant amendments to the filing requirements for exempt organizations were enacted as part of the Tax Reform Act of 1969. At that time, the Internal Revenue Service agreed to accept from a variety of exempt organizations, including universities and colleges, their own substitutes for the detailed financial information required in Form 990, Part II in lieu of a completed Form 990. In 1975, IRS determined that it could no longer accept

substitutes for two reasons: (1) a significant lack of uniformity in the way financial records were maintained and reported, and (2) the development within IRS of criteria utilizing items from the Form 990 to be applied by computers in the selection of returns for audit. For the past eighteen months, the National Association of College and University Business Officers (NACUBO) and its counsel have met with the IRS in an attempt to find an acceptable compromise. The institutions believe that completion of Part II of Form 990 would require them to keep their financial records in a way that often conflicts with recognized accounting standards developed and approved for use by universities and colleges. As a direct result of these negotiations, the Internal Revenue Service has agreed to certain changes on the Form 990 for 1976 and will review instructions for completing the 1975 and 1976 forms prepared by NACUBO for dissemination to its membership.

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(Chairman, Robert Wright)

Agency	Name	Title
Department of Agriculture	Charles W. McDougall	Deputy Administrator, Extension Service
Commission on Federal Paperwork	Howard E. Holcomb	Director, Education Study Group
Commission on Federal Paperwork	Howard Wile	Consultant
Department of Defense	Thomas W. Carr	Director, Defense Education
Equal Employment Opportunity Commission	Melvin Humphrey	Director of Research
Equal Employment Opportunity Commission	Odessa M. Shannon	Special Assistant to the Director of Research
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Environmental Protection Agency	Frederick Lilly	Director, Program Reporting Division
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Department of Health, Education, & Welfare	Theodore Drews	Acting Director, Division of Survey Planning & Analysis, National Center for Education Statistics
Department of Health, Education, & Welfare	John [illegible]	Social Science Analyst, Division for Planning and Program Coordination, Office of Civil Rights

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Department of Health, Education, & Welfare	Gooloo Wunderlich	Associate Director, Data Policy, Assistant Secretary/Health
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Department of Labor	David Ganz	Employee Benefits Specialist, Pension & Welfare Benefits Program
Department of Labor	Ronald P. Gilbert	Wage Hour Analyst
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National Science Foundation	Richard M. Berry	Study, Director, University & Nonprofit Institutions Studies

National Science Foundation	Robert Wright	Head, Science Indicators Unit
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VETERANS' EDUCATIONAL BENEFITS: 1944-1976

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VETERANS' EDUCATIONAL BENEFITS: 1944-1976

Introduction

The veterans' benefits program dates back to colonial times. However, until World War II, the benefits system predominantly included income support and health care to disabled servicemen, indigent veterans, and their survivors.

Other forms of veterans' assistance developed more recently. The first steps toward educational benefits were taken in connection with the rehabilitation of disabled veterans of World War I. The 1917 amendments to the War Risk Act and later the Vocational Rehabilitation Act of June 27, 1918 made provision for education and vocational training for those with service-connected disabilities.

During the period of demobilization following the war, the Army undertook a very ambitious schooling program for troops awaiting return from Europe. The final report of General Pershing to the Secretary of War stated, in part:

> "...The total attendance in the organized school system of the American Expeditionary Forces was 230,020, of which number 181,475 attended post schools, 27,250 educational centers, 8,528 the American Expeditionary Forces University at Beaune, 367 art training centers, 4,144 mechanical trade schools, 6,300 French, and 1,956 British universities. The attendance upon the institute short courses totaled 690,000 more, and at extension lectures 750,000, giving a grand total of attendance at all educational formations of 1,670,020.[1]

While there had been no general educational program for discharged veterans of World War I, the inclusion of education in the World War II package of benefits seems to have been one provision toward which there was little opposition. The most important and far-reaching part of the Servicemen's Readjustment Act of 1944 (Public Law 78-346, often spoken of as the GI Bill of Rights) was that providing educational benefits.

Before World War II was over, Congress foresaw a pressing problem in the return to civilian life over a relatively short period of time of the 15.6 million veterans.

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[1] U.S. Congress. House of Representatives. Veterans Affairs Committee Print No. 171, 84th Congress: 201-214.

Responding to the anticipated need, Congress created the comprehensive package of benefits to ease the social and economic readjustment of veterans. This legislation differed from earlier veterans' programs in that it was universal and required no test of need or disability.

The rationale for the readjustment programs was also slightly different than for other veterans' benefits. The objective was to assist the economic conversion from wartime to peacetime production as well as to reward veterans who had endured prolonged separation from civilian life. The debt of gratitude owed the veterans was coupled with the belief that national interest required larger numbers of college-trained people.

Once the Government assumed the responsibility to help veterans readjust to civilian life after World War II, similar efforts were revived after the Korean Conflict and the Vietnam Era. Peacetime veterans released during the brief intervening period between the Korean Conflict and the Vietnam Era were included under the Post-Korean Conflict GI bill. From 1944 through April of 1976, the Nation has spent more than $38.7 billion for the education and training of veterans under the various GI bill programs. Of this cost, $14.5 billion is attributable to the World War II GI bill, $4.5 billion to the Korean Conflict GI bill and $19.7 billion to the Post-Korean Conflict GI bill.

This report contains a discussion of the intent of Congress regarding the three major GI bills as reflected in legislative actions, a brief comparison of education and training assistance under the three programs, the issue of termination of eligibility for participation under each of the programs, and the new Post-Vietnam Era Veterans' Educational Assistance Program.

The focus of this paper is the general educational assistance offered to veterans without service-connected disabilities. Benefits available to disabled veterans, such as the vocational rehabilitation program are not discussed.

I. Brief History and Provisions of the Three GI Bills

The first mention of veterans' education benefits came in 1942, when President Roosevelt signed a bill reducing the draft age from 20 to 18 and announced he was appointing a committee to study the needs of young men whose education would be interrupted. The committee recommended education and training benefits for ex-servicemen, but for no more than 1 year.2/

The extraordinarily liberal provisions of the GI bill as enacted were partly the result of an effective campaign led by the American Legion, and in part the response to a potential economic crisis. Many policy makers, fearing another post-war depression, saw the GI bill as one means of averting a return to prewar unemployment levels. Furthermore, there was some concern that the war had drawn so many young people away from education that there would be a serious deficit in many professional and technical fields. It was thought that the GI bill might ease these prospective shortages. Finally, in view of the experience after World War I, there was the hope that the GI bill would forestall demands for a bonus that would be dangerously inflationary.3/

The idea of sending veterans through four years of college was not universally well received at first. Congressman John Rankin, Chairman of the House Veterans Affairs Committee and eventually one of the sponsors of the legislation, at first, feared the benefits would channel the Nation's heroes into colleges and there subject them to the theories of sociologists. The result, he claimed, would be a

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2/ See Keith W. Olson, "A Historical Analysis of the GI Bill and Its Relationship to Higher Education," Office of Education, Department of Health, Education, and Welfare, 1968.

3/ Michael S. Guy. "The GI Bill; Its Origin and Impact on Higher Education." Paper presented at annual meeting, American Educational Research Association, April 4, 1972, Chicago, Ill. For a discussion of the bonus situation, see also, Congressional Research Service multilith No. 74-128 ED, "The Veterans' Bonus Question," Ilona Nemesnyik, July 16, 1974.

continuation of the trend toward an "overeducated and undertrained" population. He declared: "I would rather send my child to a red schoolhouse than to a red school teacher."4/

A different kind of opposition came from many of the Nation's leading liberal scholars. Robert Hutchins, President of the University of Chicago, predicted that the onslaught of veterans would lead to a reduction in academic standards. "Colleges and universities will find themselves converted into educational hobo jungles." Labelling the GI bill a "threat to American education," Hutchins insisted, "Education is not a device for coping with mass unemployment."5/ Harvard economist Seymour Harris took the same view that "the GI bill carried the principle of democratization too far."6/

The intent of Congress regarding the original GI bill, as quoted from the title of the Act is as follows: "To provide Federal government aid for the readjustment in civilian life of returning World War II veterans."

Under the provisions of the law as enacted in P.L. 78-346, any person was eligible for education and training who served 90 days or more in the active military or naval service between September 16, 1940 and July 25, 1947 and was discharged under conditions other than dishonorable, or who served less than 90 days if discharged under conditions other than dishonorable, or who served less than 90 days if discharged for actual service-incurred disability. The period of education was limited to 1 year plus the length of service, not to exceed 4 years, less time spent in certain courses of education taken under Army specialized training or Navy college training programs. Education or training courses had to be initiated not later than 4 years after the date of the discharge, or prior to July 26, 1951, whichever was later. No education or training was to be offered after July 26, 1956, except in a few limited cases.

4/ U.S. Congress. House. Committee on World War Veterans' Legislation, 78th Congress, 2nd Session, Hearings on H.R. 3817 and S. 1767 to Provide Federal Government Aid for the Readjustment in Civilian Life of Returning World War II Veterans, January 12, 1944 (Washington, D.C., 1944): 162-163.

5/ Hutchins, Robert. Threat to American Education. Colliers CXIVm December 30, 1944.

6/ Cited in Olson, supra note 2.

Tuition payments were made by the Government. These could not exceed $500 for an ordinary school year, but courses costing in excess of this amount might be taken and the veteran's eligibility charged with an additional period of 1 day for each $2.10 of cost in excess of $500. Correspondence courses could be pursued, but the total amount available for this type of course for any one veteran was $500.

Full-time institutional students received subsistence at the rate of $50 per month without dependents, $75 per month with one or more dependents. Those taking part-time institutional courses received proportionate rates. These allowances were raised on December 28, 1945 (Public Law 79-268) to $65 and $90 a month. On February 14, 1948 (Public Law 80-411), the subsistence allowance was increased for institutional training. The rate was set at $75 a month for the veteran without dependents, $105 a month for the veteran with one dependent and to $120 a month for veterans with more than one dependent.

Under Public Law 78-346, no limitation was placed upon the total amount a veteran could receive in the form of subsistence allowance plus earned income. It soon appeared that some veterans were drawing large salaries for full-time work and subsistence allowances for on-the-job training. In 1946, therefore, Public Law 78-346 was amended (Public Law 79-679) to place a limit of $175 a month for a veteran without dependents and $200 for a veteran with dependents, upon the subsistence allowance plus earned income. Later this law was again amended (Public Law 80-512) to allow a veteran without dependents to receive $210, one with one dependent $270, and a veteran with more than one dependent, $290. Income earned as a result of overtime was excluded from the ceiling.

Institutional training was limited to 4 years. On-the-job training could not be less than 3 months nor more than 2 years except in the case of apprentice training when the period could continue for 4 years.

For the education and training of veterans, the Veterans Administration used State-approved educational institutions and established business or industrial concerns qualified and equipped to give the training in the individual case. Educational institutions included universities and colleges, professional and technological institutions, trade and business schools both private and public, junior colleges, secondary schools, and correspondence courses given usually in conjunction with other types of training and in hospitals. Training facilities included business establishments, industrial enterprises, and agricultural and business projects. The VA did not set up any educational facilities for the purpose of training under P.L. 78-346, the policy being to use facilities which were already in existence.

One unintended result of the GI bill was a profusion of vocational schools set up specifically to participate in the GI bill. By the late 1940's the poor quality of training in many of these schools had become a major issue. So had the fact that many veterans were using their benefits to learn dancing, bartending, auctioneering, and other such pursuits. After 1948 these courses were ruled unacceptable, and schools were required to have been in operation at least one year (later changed to two) and to have enrolled at least 15% nonveteran students before receiving any money under the GI bill.

In August 1950, the House of Representatives set up a committee to investigate the GI bill, placing it under the chairmanship of Olin Teague. The report of the Teague committee said, in part:

> "...Schools mushroomed overnight offering any course imaginable, attempting to break into the educational and training field for the purpose of securing the GI dollar. Veterans responded in great numbers to these fly-by-night ventures as it was an easy path for them to pursue to establish eligibility for generous subsistence payments made available to them under the law...Existing regulations did not question the background or qualifications of any individual opening a school...It is not surprising, however,

(cont'd)

> that in a program of this magnitude there have been abuses, there have been errors, there have been extravagances, there have been isolated instances of corruption and larceny, and there has been administrative inefficiency."[7]

As these problems were exposed, the need for new legislation to cover veterans of the Korean conflict emerged. As a result, a new GI bill was enacted on July 16, 1952 (Public Law 82-550). This Act extended not only educational benefits but other readjustment benefits as well to veterans of the Korean Conflict.

Education and training under the Korean GI bill differed substantially from that provided for World War II veterans. The intent of Congress regarding this new program was specifically stated in Public Law 82-550 (the Korean Conflict GI bill) section 102 as follows:

> "The Congress of the United States hereby declares that the veterans' education and training program created by this Act is for the purpose of providing vocational readjustment and restoring lost educational opportunities to those servicemen and women whose educational or vocational ambitions have been interrupted or impeded by reason of active service in the Armed Forces during a period of national emergency and for the purpose of aiding such persons in attaining the educational and training status which they might normally have aspired to and obtained had they not served their country; and that the home, farm, and business loan benefits, the unemployment compensation benefits, the mustering out payments and the employment assistance provided for by this Act are for the purpose of assisting in the readjustment of such persons from military to civilian life."

The duration of education or training was limited to one and a half times the period of active service with a limit of 36 months. (This contrasted with the previous formula which gave a 12 months base, plus 1 day of eligibility for each day of service with a limit of 48 months.) The time of training under the new program thus corresponded very closely to the time spent in service. A short period of service entitled a veteran to a short period of training. Payments were made directly to the veteran in the form of subsistence payments of $110, $135, or $160 per month, depending upon the dependency status. Out of his subsistance allowance the veteran was required to meet his school expenses, such as books, tuition, and other fees. No payments were made by the VA directly to schools as had been the case under the GI bill. The veteran, in effect, was given a scholarship and told to enroll in a school the same as any other student.

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[7] U.S. Congress. House. Report of the House Select Committee to Investigate Educational and Training Programs Under the GI Bill, 81st Congress, 2nd Session, 1951.

In general, the same limits were placed upon recreational or avocational courses as had been true in the case of World War II veterans. Provisions of the Veterans Readjustment Assistance Act of 1952 in general, and those pertaining to education in particular, grew out of experience with the GI bill for World War II.8/

The new system soon had unanticipated side effects. Legislated in a period prior to inflation in college costs, the payments change had not been expected to increase enrollment in public colleges. But within a short time it became evident that eliminating tuition payments discouraged veterans from attending more expensive private institutions. As the following table shows, the data indicate that, while World War II veterans were slightly more likely to attend private colleges than the general population, Korean and Vietnam era veterans have been more likely to attend public institutions.

8/ House Committee Print No. 171, 84th Congress, 1st Session: 214-216.

PERCENTAGE OF STUDENTS ENROLLED IN PUBLIC AND PRIVATE INSTITUTIONS OF HIGHER LEARNING UNDER THREE GI BILLS IN COMPARISON WITH NONVETERAN COLLEGE STUDENTS

	Veteran College Students		All College Students	
	Public	Private	Public	Private
1948-49 (World War II)	50%	50%	49%	51%
1957 (Korean Conflict)	67%	33%	58%	42%
1972 (Vietnam Era)	82%	18%	74%	26%

Source: Derived from VA, DVB, IB 24233-3 and Digest of Educational Statistics, National Center for Educational Statistics, 1971.

Eligibility for the Korean GI bill ended in January 1955. The education benefits eventually cost $4.5 billion, compared with the $14.5 billion for World War II. The consensus at the time was that most of the flagrant abuses exposed earlier had been brought under control.

Moves were made in Congress to extend the GI bill on a more permanent basis during the late 1950's and early 1960's but were rejected by both the Eisenhower and Kennedy administrations. The Department of Defense objected (in 1959 in an Air Force Times article, for example) that a peacetime GI bill should be defeated as it would encourage skilled personnel to leave military service, negate personnel retention benefits in recent legislation, and cost "undue" millions. In his final budget message, President Eisenhower stated that education benefits "cannot be justified by conditions of military service and are inconsistent with the incentives which have been provided to make military service an attractive career for capable individuals."[9]

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[9] Air Force Times, January 21, 1961.

In 1966 a new GI bill was passed, P.L. 89-358 (the Cold War GI bill) which made eligible veterans who had served since the end of the Korean War. Section 2 of the Act stated the intent of Congress:

> "The Congress of the United States hereby declares that the education program created by this chapter is for the purpose of (1) enhancing and making more attractive service in the Armed Forces of the United States, (2) extending the benefits of a higher education to qualified and deserving young persons who might not otherwise be able to afford such an education, (3) providing vocational readjustment and restoring lost educational opportunities to those service men and women whose careers have been interrupted or impeded by reason of active duty after January 31, 1955, and (4) aiding such persons in attaining the vocational and educational status which they might normally have aspired to and obtained had they not served their country."

Although the purpose and major provisions of the GI bill have remained essentially the same since the inception of the 1966 Act, the House Veterans' Affairs Committee drew special attention to the intent of Congress when H.R. 12828, the Veterans' Education and Training Amendments of 1972 was reported. H. Rept. 92-887 states, in part:

> "It should also be recalled from the outset of the program it was the intent to provide a reasonable measure of assistance to an eligible veteran who elects to pursue an educational program. In fact, the basic authorization language provided 'The Administrator shall pay to each eligible veteran who is pursuing a program of education under this chapter an educational assistance allowance to meet, *in part*, the expenses of his subsistence, tuition, fees, supplies, books, equipment, and other educational costs.' (Emphasis added.)...
>
> "In arriving at certain policy decisions before reporting H.R. 12828, the Committee gave appropriate consideration to bills on the agenda which propose to make a separate payment directly to the school involved for tuition, fees, etc. A program of this sort was in effect for World War II veterans under the original GI bill; however, an extensive inquiry into the operations of that program made by a select committee of the House disclosed that it encouraged major abuses and became an administrative nightmare. Accordingly, when the Korean GI bill was enacted in 1952, the basic policy approach was changed and has continued to the present date.
>
> "Aside from the extremely complex administration of a program such as provided for the World War II veterans, there is a substantial policy question. The Committee believes that veterans should receive equal treatment rather than favoring those individuals who, for their own personal reasons, choose to attend high-cost schools. ...Again, the Committee invites attention to the basic, original philosophy that the benefit involved is an *assistance* allowance to meet, *in part*, a veteran's educational costs."

It is significant to note that the Senate amendment to P.L. 93-508 (H.R. 12628) contained a partial tuition assistance allowance of up to $720 a school year for eligible veterans and persons under which the VA would pay according to the following formula: 80 percent of the school's yearly tuition charges up to $1,000 after excluding the first $100 of such tuition. The conference did not approve the tuition assistance allowance portion of the Senate amendment. The conferees instead substituted a provision (section 105) directing the Veterans' Administration to carry out a thorough study, and to report to the Congress and the President within 12 months, on the opportunities for abuse and administrative difficulties arising from a tuition assistance program if one were to be enacted.

Under the Vietnam Era GI bill, benefits were extended to veterans after they had served two years (reduced later to 180 days), so that they would not necessarily have any incentive to leave the military to take advantage of the GI bill.

The new legislation followed the lines that had been established during the Korean War. The system of subsistence allowances to the individual veteran with no tuition payment was retained, as were the benefit levels of the Korean bill ($110 a month for an unmarried veteran).

Under the World War II bill, the length of entitlement was one year plus time in service, with a maximum of 45 months. Under the Korean bill, the formula was one and a half days of benefits for each day of service, with a maximum of 36 months. Under the 1966 Act the formula was one day of benefits for each day of service, also with a 36-month maximum. Within a year, however, the Korean formula (1 1/2 to 1) was restored. Legislation was introduced to return the maximum length of entitlement to the World War II level -- 45 months instead of 36 and P.L. 93-508 did provide this additional eligibility for those veterans pursuing an undergraduate degree. P.L. 94-502, enacted October 15, 1976 removed the restriction to undergraduate use of the 9 months of additional benefits granted in 1974, thus allowing a maximum 45 months of eligibility for an approved program of education (including graduate work). In addition, current law also provides additional eligibility for educational disadvantaged veterans who need high school level courses in order to qualify for further education.

As under the Korean GI bill, the 1966 Act required that veterans must complete training within 8 years after leaving the service. Public Law 93-337, (July 30, 1974) extended the 8-year delimiting period to 10 years and it excluded the period of time a veteran has been held as a prisoner of war in the Vietnam Theater of operations, plus any period of time spent hospitalized immediately subsequent to release in computing this delimiting period.

Counseling by VA personnel is optional, except for veterans in vocational rehabilitation programs. Programs must lead to "a predetermined and identifiable educational, professional, or vocational objective."10/ Changes of objective need VA approval. Certain courses, such as bartending, are categorically excluded; others, such as sales management, may be approved only under special circumstances.

As discussed in the introduction, higher benefits, essentially along the lines of the World War II GI bill, are available for disabled veterans needing vocational rehabilitation. This report does not deal with the vocational rehabilitation program, but it should be mentioned that disabled veterans receive 48 months of support from the VA, including both subsistence allowances and payment of tuition, fees, and supplies.

The 1966 Act omitted any provisions for on-the-job training, cooperative farm training, or flight training. These were added in 1967. The following table traces veteran's educational assistance rates from the inception of the program until the most recent increases.

10/ 38 USC 1652(b)

III. VETERANS' EDUCATIONAL ASSISTANCE - WORLD WAR II,1/ KOREAN CONFLICT, POST-KOREAN PERIOD (INCLUDING VIETNAM ERA)

	World War II June 22, 1944 - July 25, 1956					Korean Conflict June 27, 1950 - Feb. 1, 1955		Post-Korean Period and Vietnam Era June 1, 1966-											
	PL 78-346 June 22, 1944 Actual	PL 79-268 Jan. 1, 1946 Actual	Percent Increase	PL 80-512 April 1, 1948 Actual	Percent Increase	PL 82-550 Jan. 31, 1953 Actual	Percent Increase	PL 89-358 June 1, 1966 Actual	Percent Increase	PL 90-77 Oct. 1, 1967 Actual	Percent Increase	PL 91-219 Feb. 1, 1970 Actual	Percent Increase	PL 92-540 Oct. 1, 1972 Actual	Percent Increase	PL 93-508 Dec. 3, 1974 Actual	Percent Increase	PL 94-502 Oct. 15, 1976 Actual	Percent Increase
Institutional (full-time)																			
Veteran	$50	$65	30.0	$ 75.00	15.3	$110	46.6	$100	-9.1	$130	30	$175	34.6	$220	25.7	$270	22.7	$292	8
Veteran and 1 Dep.	75	90	20.0	105.00	16.7	135	28.5	125	-7.4	155	24	205	32.3	261	27.3	321	22.9	347	8
Veteran and 2 Dep.	75	90	20.0	120.00	33.3	160	33.3	150	-6.2	175	16.6	230	31.4	298	29.5	366	22.7	396	8
Veteran's additional Dep.										10		13	30.0	18	38.4	22	22.2	24	8
Correspondence 4/ 7/	55% Tuition & fees not to exceed $500			$500.00		100% of est. charges						90% of established charges						not to exceed $270	
Farm 5/																			
Veteran				67.50 6/		$ 95	40.7	0	-100	$105		$141	34.2	$177	25.5	$217	22.6	$235	8
Veteran and 1 Dep.				81.75 6/		110	17.3	0	-100	125		165	32.0	208	26.0	255	22.6	270	8
Veteran and 2 Dep.				97.50 6/		110	13.3	0	-100	145		190	31.0	236	24.2	289	22.5	313	8
Veteran's additional Dep.										7		10	42.9	14	40.0	17	21.4	18	8
Flight 7/			est. charges			75% of est. charges						90% of established charges						not to exceed $270	
Co-op																			
Veteran						90		$ 80	-11.1	$105	31.2	$141	34.2	$177	25.5	$217	22.6	$270	0
Veteran and 1 Dep.						110		100	-9.0	125	25.0	167	33.6	208	24.5	255	22.6	235	0
Veteran and 2 Dep.						110		120	9.6	145	20.8	192	32.4	236	22.9	289	22.5	276	0
Veteran's additional Dep.										7		10	42.8	14	40.0	17	21.4	313	0
																		18	0
Apprenticeship 7/																			
Veteran	$50	$65	30.0	$ 65	0	70 8/	7.6	0	-100	$ 80		$108	62.5	$160	48.1	$189	18.1	$212	0
Veteran and 1 Dep.	75	90	20.0	90	0	85 8/	-5.6	0	-100	90		120	35.0	170	30.2	212	18.4	230	0
Veteran and 2 Dep.	75	90	20.0	90	0	105 8/	16.6	0	-100	100		133	33.3	196	47.3	232	18.4	250	0
Veteran's additional Dep.														8		9	12.5	11	0

(Footnotes on following page)

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FOOTNOTES

1/ Rates given are for subsistence; tuition provided up to $500 per academic year

2/ Effective August 8, 1946: Maximum subsistence + earnings = $175.

3/ Maximum subsistence + earnings: $210, $270, $290.

4/ Correspondence rates 100% for contracts prior to January 1, 1973, thereafter 90%.

5/ PL 80-512 and PL 82-550 are for institutional on farm. PL 89-358 and later laws are for farm cooperative.

6/ Farm training added effective Sept. 1, 1947.

7/ Entitlement charged: WWII - 1 day for each $2.10 paid; KC - 1 day for each $1.25 paid; post-KC - 1 month for payment of amount equal to full-time single rate.

8/ PL 82-550 has $350 limitation for OJT-apprenticeship subsistence + earnings.

The present schedule of benefits for education benefits under the Post-Korean GI bill are as follows:

G.I. BILL RATES
(monthly)

	No Dependents	One Dependent	Two Dependents	Each Addienal Dependent
Full-time	$292	$347	$396	$24
Three-quarter	219	260	297	18
Half-time	146	174	198	12
Cooperative	235	276	313	18
Apprenticeship - OJT				
1st 6 mos.	212	238	260	11
2nd 6 mos.	159	185	207	11
3rd 6 mos.	106	132	154	11
4th 6 mos.	53	79	101	11
Farm Cooperative				
Full-time	235	276	313	18
Three-quarter	176	207	235	14
Half-time	118	138	157	9
Active duty; Less than half-time	Tuition cost, not to exceed full-time rate of $292			
Correspondence and flight	90 percent of charges — Monthly entitlement charge - $270.			

Participation in college level training was greater under the Post-Korean GI bill than under either the World War II or the Korean conflict programs. College participation for World War II veterans was 14.4% of all eligible veterans; for Korean conflict veterans it was 22.0% of all eligibles; and for all post-Korean conflict veterans and service personnel, it was 32.5% of all eligibles through April 1976. The higher percentage level of trainees in college under the two more recent programs has been due to several factors: a higher level of previous education for potential trainees; greater educational expectations from trainees on the part of prospective employers; the expansion of higher education opportunities to a greater part of the populace; and the expansion of higher education to include vocational and technical training not previously offered for academic credit by colleges.

THREE GI BILLS

Total Number Trained, Level of Training and Cost
Comparison for World War II, Korean Conflict, Post-Korean, and Vietnam Era
(In thousands)

	World War II (ended)	Korean Conflict (ended)	Post-Korean	
			Total	Vietnam Era
			(through April 1976)	
Veteran Population	15,440	5,509	11,094	(8,008)
Total Trained	7,800	2,391	6,437 1/	(5,053) 1/
	50.5%	43.4%	58.0%	(63.1%)
College	2,230	1,213	3,602	(2,867)
	14.4%	22.0%	32.5%	(35.8%)
Other schools	3,480	860	2,323	(1,752)
	22.5%	15.6%	20.9%	(21.9%)
On-the-job training	1,400	223	470	(409)
	9.1%	4.0%	4.2%	(5.1%)
Farm Training	690	95	42	(25)
	4.5%	1.7%	0.4%	(0.3%)
Cost (in billions)	$14.5	$4.5	$19.7	

1/ The figure is included in the column "Post-Korean"

In summary, from June of 1944 to April of 1976, 16.6 million persons have trained under one of the three GI bills. This includes 7.8 million under the World War II GI bill, nearly 2.4 million under the Korean GI bill, and 6.4 million trainees under the Post-Korean GI bill.

II. Termination of Eligibility

The termination of eligibility for GI bill benefits was a major issue during the 94th Congress.

On May 7, 1975 President Ford proposed terminating the present eligibility period for GI bill education and training benefits since the Vietnam Era had officially ended for certain other wartime benefits. Such a measure followed similar action ending GI bill education programs for World War II and Korean Conflict veterans. The rationale behind this action was that it made an equitable distinction between those who have been required to perform military service and those who in the future choose to serve in the All-Volunteer Armed Forces. Public Law 94-502, signed October 15, 1976 established December 31, 1976 as the termination date for establishing eligibility for education and training under the post-Korean Conflict education program.

A. Historical Background

As discussed earlier, the educational assistance programs for World War II and Korean Conflict veterans, as well as those eligible under current law, have all been readjustment programs designed to help veterans to adjust from military to civilian life by affording them monetary aid to obtain an educational status they might normally have aspired to and obtained had they not served their country in wartime or national emergency. It was not contemplated that educational assistance was to be a continuing benefit.[11/]

The World War II veteran was eligible for benefits only if he was on active duty by July 25, 1947, the official ending date for World War II. He had 4 years from the date of his separation from the service in which to commence his program

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11/ 38 United States Code 1651 states the purpose of the veterans education program as a readjustment benefit, i.e., providing vocational readjustment and restoring lost educational opportunities rather than as payment of service, per se.

of education and was allowed a period of 9 years from separation to use his entitlement. A final termination date of July 25, 1956, was set for the majority of World War II veterans.[12]

Korean war veterans had 3 years following separation from service in which to commence, and 8 years from the date of such discharge in which to complete, their programs of education. The basic service period for the Korean Conflict eligibility was June 27, 1950 to January 31, 1955[13] with a final termination date of January 31, 1965, beyond which no benefits were permitted under that program. It is significant to note that both of these bills were passed during a period of conflict, with the declared purpose discussed above.

With regard to the Cold War GI bill, S. 9, the Senate version of the bill provided eligibility for GI benefits from February 1, 1955 (where the Korean Conflict bill left off), to July 1, 1967, the supposed end of the draft -- the thesis of this bill being that this was a period of the draft and not a peacetime period in which it was optional to enter military service. This bill passed the Senate July 19, 1965 by a vote of 69 to 17.

The House subsequently held hearings on approximately 145 bills introduced in that body and on S. 9. All of the bills under consideration provided, in varying degrees, readjustment benefits patterned after those afforded veterans of World War II and the Korean Conflict to veterans who served subsequent to January 31, 1955. The time limitations on these bills were generally from February 1, 1955 to the end of the induction period, although several bills were considered which did not provide a cut-off date.

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[12] Public Law 80-239, Section 3 established the termination of the "state of war" to be July 25, 1947.

[13] Public Law 84-7, a.

Both the Veterans Administration and the Department of Defense were opposed to the enactment of this legislation. The following paragraph is from the report of the Veterans Administration on H.R. 4004, 89th Congress:

"...The Veterans Administration has opposed bills providing peacetime veterans' readjustment benefits (such as education and training) on the grounds that this type of benefit should be limited to situations where wartime service sharply disrupted career planning and called for special government aid to ease the transition from wartime service back to civilian life. We have pointed out that service under current conditions does not present on a widespread basis the same rigors and hazards as does wartime service; that the specific period of service is known in advance and generally is of shorter duration than service during wartime; and that it has a much less disruptive effect upon the veteran's educational plans and his career than did extended wartime service with its many uncertainties. We consider particularly significant the fact that the impact of selective service is minimized by draft procedures which are designed to promote a reasonable integration of schooling or training plans with military service."[14]

Brigadier General William W. Berg, U.S. Air Force, Deputy Assistant Secretary of Defense for Manpower, testified:

"It is our understanding that this bill is designed to give today's serviceman essentially the same benefits as were afforded the veterans of World War II and the Korean Conflict. Section 2 of the bill provides one and a half days educational and vocational assistance for each day of service for all veterans having at least 180 days' service in the Armed Forces between January 31, 1955, and July 1, 1967."

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[14] U.S. Congress. House. Committee on Veterans Affairs. Hearings on GI Benefits for Post-Korean Veterans. 89th Congress. 2nd session. p. 2886.

"The Department of Defense does not favor legislation which provides the servicemen with an inducement to leave the military service after accruing entitlement to educational or training benefits under such legislation. As you know, Mr. Chairman, this has consistently been the Department of Defense position in all proposed legislation of this type. We are not opposed to assistance for education and training, quite the contrary, we believe such assistance should be provided in a way which does not interfere with the mission of the Department of Defense."[15]

Mr. Secrest, a member of the Committee suggested that if a cutoff date were eliminated, a serviceman would then be able to remain in the military for an unlimited amount of time and still be eligible for education benefits. He said, "I can think of no greater inducement than that to keep a fellow in for his full time."[16]

The House bill, H.R. 12410 as reported and signed into public law, provided a permanent program for veterans who served after January 31, 1955.

B. Terminating the Vietnam Era

On October 6, 1975, the House passed H.R. 9576 which, among other provisions would have terminated eligibility for veterans' education benefits for persons entering the military services after December 31, 1975.

As discussed above, this legislation was originally recommended by President Ford on May 7 in his proclamation designating that date as the end of the "Vietnam Era." December 31, 1976 has been designated as the termination of eligibility date by P.L. 94-502.

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[15] Ibid., p. 2952.
[16] Ibid., p. 2953.

--Arguments in Favor of Termination

Given the volunteer army concept, many of the arguments which were made during consideration of the Cold War GI bill were made in considering termination of eligibility for the post-Korean program. In addition to those arguments presented by VA and DoD against enactment of P.L. 89-358 (see pp. 20, 21), there were further considerations presented:

1) Since those in the military are there voluntarily, the Federal Government should treat the veteran and the nonveteran alike in terms of education.

2) Veterans' educational assistance may not be necessary since, with the absence of a draft, a serviceman can plan ahead for his educational career.

3) The Federal Government does not provide educational benefits for civil servants leaving other branches of the Government therefore, educational benefits should not be provided for professional soldiers.

The Disabled American Veterans supported passage of the legislation terminating eligibility, as did the American Legion:

> "...The circumstances which necessitated the inception of the current GI bill by the Congress - the existence of the military draft, and United States involvement in a military conflict - no longer exist. Therefore, the present GI bill should be terminated, as were the educational programs which served veterans of World War II and the Korean Conflict." - Disabled American Veterans

> "...We champion the principle that benefits for wartime veterans be reserved for the veteran who served in a period of hostility, cold war or national emergencies. Any educational and vocational programs that may be devised for members of the peacetime military establishment should be clearly differentiated from wartime benefits." - American Legion.

House proponents of the bill argued that veterans' education benefits should be awarded only to those who served in the military during wartime, and the Federal Government could save $1.6 billion between fiscal year 1976 and 1980 by terminating the program (see page 25).

--Arguments Against Termination

The following arguments were raised for leaving the education benefits open-ended:

1) The need for readjustment assistance has no relation to whether a serviceman has been drafted or enlisted.

2) The World War II and the Korean Conflict GI bills were both intended as readjustment assistance. They applied to every person who served, regardless of whether he was inducted or enlisted.

3) Even assuming a serviceman can plan ahead, the nonveteran has a 4-year advantage in educational, academic, and vocational experience.

The Veterans of Foreign Wars took the position that if education benefits were to be continued, the Department of Defense should fund the program as an inducement to join the military. This would then be a cost of maintaining a strong military, and the budget should reflect this program under the functional category of national defense.

The use of education benefits as an inducement to join the military has been a strong argument against terminating eligibility. Along these lines, according to a survey conducted by the Army Testing Service in September 1974, 25% of the individuals tested indicated they would not have enlisted had it not been for the availability of GI educational benefits. When these servicemen were asked to list their three most important reasons for joining the service, 50% listed post-service educational benefits.

Another survey conducted by the Manpower Research and Data Analysis Center contains a series of reports on the question of educational incentives toward military service in the all volunteer force on youths 16-21 years of age. For those youths who responded that they expected to enter the service, 20% indicated that the ability to qualify for the GI bill was a strong influence in their decision to enlist. The trend increased from 15% in May 1971 to 26% in November 1973:

Percent listing GI bill qualification as a strong influence to enlist

May 1971	15%
November 1971	17%
May 1972	19%
November 1972	24%
May 1973	19%
November 1973	26%

Source: Table III-1, Gilbert Youth Surveys, May 1971 to November 1973, "Manpower Research and Data Analysis Center Report on Attitudes of Youth Toward Military Service in the All Volunteer Force."

In 1972 two additional questions were added to the Gilbert Youth Survey.

1) Would you have enlisted if there were no post-service educational money?

2) Which incentive would be most likely to induce enlistment:

-- -- 4 years of college in return for 4 years service (i.e., the World War II GI bill); or

-- -- $200/month for 4 years college (i. e., the Korean Conflict and post-Korean Conflict GI bill).

The results of the first question follows:

Would you have enlisted if there were no post-service educational money?

	TOTAL	Not H.S. Graduate	H.S. Graduate	Black	White
Not enlist	24%	15%	30%	22%	25%
Still enlist	40%	41%	40%	32%	44%
Not sure, Don't Know, No Response ..	36%	44%	30%	46%	31%

INCENTIVE MOST LIKELY TO INDUCE ENLISTMENT

	Percent Choosing Proposed Incentives					
Proposed Incentive	May 1971	Nov. 71	May 72	Nov. 72	May 73	Nov. 73
4 years college in return for 4 years service	24%	25%	16%	14%	14%	18%
$200/month for 4 years college	--	--	12%	13%	11%	13%

Source: Gilbert Youth Surveys, Table III-2.

Peripherally, it should be mentioned that opponents of the bill (H.R. 9576) pointed out that the proposal received only two hours of debate on July 28, 1975 by the House Veterans Affairs Committee. Objections were also raised to passing the bill under suspension of the rules, which bars floor amendments and limits debates to 40 minutes.

--Estimated Savings

The House Veterans Affairs Committee estimated the following savings relative to carrying out the termination of eligibility provisions as follows:

follows:

Fiscal year	Savings (Millions)
1976	$ 4.4
Transition period	4.0
1977	91.4
1978	239.9
1979	436.8
1980	668.4
5-year savings	$1,444.9

The full effect of the termination date will not be felt for several years, since under the post-Korean program a veteran has ten years in which to use his educational benefits. After December 31, 1986, at which time the program will be completely ended, the full effect of the termination will begin to be felt. It is anticipated that almost $5 billion will be spent in fiscal year 1976 on readjustment benefits.

III. Post-Vietnam Era Veterans' Educational Assistance Program

Title IV of the Veterans Education and Employment Assistance Act of 1976, Public Law 94-502 established the "Post-Vietnam Era Veterans' Assistance Program. This Act, through a redefinition of the term "eligible veteran", set a termination date of December 31, 1976, for the Post-Korean educational program except for individuals contracting with the armed forces under the Department of Defense Delayed Entry Program who are allowed up to 12 months to be placed on active duty and establishes a new program of education benefits for enlistees as of January 1, 1977.

The new program applies to persons entering the armed forces after December 31, 1976. The provisions, referred to as a "contributory vesting program", offer such persons the option of enrolling in a program, through an agreement to have a monthly deduction (from military pay) of neither less than $50 nor more than $75, but divisible by five, with a maximum of $2,700 paid by the participant. The participant must remain in the program for a minimum of 12 months before withdrawing. For each $1 contributed by the participant, the Veterans Administration will contribute $2. In addition, the Secretary of Defense is authorized to contribute to any participant's educational fund as a recruitment-retention device. If the participant chooses not to enroll in a program of education, his contribution is to be refunded, without interest or matching VA funds. If the participant dies while contributing to the program, his contribution is refunded to the beneficiary or estate.

Under this program, the participant is entitled to a maximum of 36 monthly benefit payments, with the amount of each payment determined by an established formula, i.e., the amount contributed by the participant, plus double that amount matched by the Veterans Administration, divided by the number of months participated, to a maximum of 36 months. The payment of these benefits is to begin after the participant has completed his or her first obligated period of duty or six years of active duty. Under P.L. 94-502, the program will automatically terminate in five years unless the President and Congress approve its continuance, with funding at that time, by the Department of Defense rather than the Veterans' Administration.

IV. Conclusion

Although there have been many criticisms of the GI bill, it is generally accepted that overall the program has been worthwhile. Many of the alleged deficiencies of the original GI Bill were remedied and the payment levels of the post-Korean GI Bill were upgraded considerably. As the benefit levels have risen, so has the rate of participation in the program: 63.1% of the Vietnam era veterans have participated in the program, compared with 43.4% of the Korean Conflict veterans, and 50.5% of the World War II veterans.

The attractiveness of the GI bill as a form of educational assistance has been lauded by many educators. President Elmer Ellis, University of Missouri, said, "It is the virtually unanimous opinion of educators that assistance to veterans for education after World War II was one of the most far-reaching policies ever inaugurated by the government of the U.S." Dean J.H. Anderson, University of Utah has stated that "....I feel that the GI bill represented one of the most salutory pieces of legislation ever enacted in this country."[17/]

[17/] School and Society, 1970, "Veterans Benefits: A Quarter Century of the GI Bill."

The high esteem in which the GI bill is held did not necessarily address the question raised in the 94th Congress: is it appropriate to terminate the current educational readjustment program? Proponents of legislation to terminate the program questioned whether the educational benefits in their existing form were consistent with the new volunteer army concept.

The question before Congress was actually three-fold:

1) Should the education benefits be terminated completely for post-Vietnam era veterans?

2) If not, should the program continue in its present form under the Veterans Administration?

3) Or should the program be administered by the Department of Defense, as a benefit of the all volunteer professional military?

The question of the GI bill has been temporarily resolved, with Congress and the President having the opportunity within five years to evaluate the performance, acceptance, and feasibility of this new program in comparison with its predecessors.

OVERSIGHT HEARINGS ON ALL FORMS OF FEDERAL STUDENT FINANCIAL ASSISTANCE

TUESDAY, JUNE 21, 1977

House of Representatives,
Subcommittee on Postsecondary Education of the
Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 11 a.m. in room 2261, Rayburn House Office Building, Hon. William D. Ford, chairman of the subcommittee, presiding.

Members present: Representatives Ford, Cornell, Mottl, Quie, Erlenborn, and Buchanan.

Staff present: Thomas R. Jolly, counsel; Patricia R. Morse, clerk; Mary R. Paul, secretary; and Robert Andringa, minority staff director.

Mr. Ford. This is the sixth in a series of oversight hearings this subcommittee is conducting on Federal student assistance programs.

As we announced earlier in the year, we are trying to get, for the first time, oversight of programs administered through the U.S. Office of Education as well as all Federal student assistance programs for postsecondary education without regard to the Federal Agency that administers them. Last week, we heard from the Veterans' Administration. We expect to have them back because that is an area that has caused some great concern, and a number of questions have been raised that have been forwarded to the VA. We expect to hear more from them.

Today, we will hear from Dr. Reginald Wilson, president of Wayne County Community College who is appearing at the request of Dr. Richard Hagemeyer, chairman of the board of directors of the American Association of Community and Junior Colleges. Dr. Hagemeyer was originally scheduled to appear before our subcommittee on June 1 with other college and university officials. He was unable to appear at that time because of pressing business back in his home State of North Carolina, and it is my understanding that he was unable to be here today because of a schedule conflict.

Dr. Wilson, we are happy to have you with us and to see Jack Tirrell, vice president for governmental affairs, American Association of Community and Junior Colleges, Washington, D.C., accompanying you.

Our second witness is Ms. Mildred McAuley, president of the National Association of Student Financial Aid Administrators. Ms. McAuley will be accompanied by Mr. Thomas Butts, director of financial aid at the University of Michigan; Mr. Joseph McCormick, director of financial aid at Mississippi State University; and Mr. Dallas Martin, executive secretary of the National Association of Student Financial Aid Administrators.

We will begin with Dr. Wilson.

We have to step away for a few moments for a roll call vote.

[A brief recess was taken.]

Mr. **Ford.** We will try to proceed over the confusion downstairs until they get panicky again.

Father Cornell has suggested, Jack, that since you had 7 minutes in front of the Veterans Committee, we give you 9.

Mr. **Tirrell.** That is generous. We appreciate that.

Mr. **Ford.** We are happy to have the opportunity to see two distinguished educators here today. Jack Tirrell has been a friend for a long time of this committee and a very able representative of the group that he is now with. We know him from his background in education in Michigan.

I have a very special interest in Dr. Wilson because he is in charge of developing a very rapidly growing and apparently very successful community college in a place that should have had it many, many years ago. It is at least one generation behind in the development of this institution. I am happy to see it developing as orderly and rapidly as it has. The very fact that it has drawn the very kind of demand from across the community that it has indicates that it was, in fact, long overdue and is a new adjunct to postsecondary education for the entire Detroit metropolitan area.

Without objection, the prepared statement of Dr. Wilson, on behalf of the American Association of Community and Junior Colleges, will be inserted in the record at this point. You may highlight and amplify the statement in any way you wish.

[The statement of Dr. Wilson follows:]

TESTIMONY OF

Dr. Reginald Wilson
President
Wayne County Community College
Detroit, Michigan

on behalf of

the

American Association of Community and Junior Colleges

before the

Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

June 21, 1977

Mr. Chairman and Members of the Subcommittee, my name is Reginald Wilson. I am President of Wayne County Community College in Detroit, Michigan. I am here today representing the American Association of Community and Junior Colleges, an association of about 1000 colleges. I appreciate the opportunity to appear before this Subcommittee during its overview hearings on federal support to postsecondary education, and reflect on how community colleges and their students are served by federal education programs. Community colleges are unique institutions. They have special responsibilities and goals, and thus special concerns regarding federal assistance. At the same time they are institutions of higher education and many concerns are shared with all higher education institutions. Today I would like to address both aspects.

Student Aid

Access to higher education has been greatly improved with the Basic Educational Opportunity Grant, which this year serves 1.4 million students. 34.9% of BEOG recipients in public and private non-profit colleges are community college students. I commend this Committee for its role in promoting the development of the BEOG, and for its understanding of the need to complement BEOG with other student aid programs.

A needed change in BEOG is removal of the half-cost limitation. Although it has less bite now with an $1800 maximum grant, it still works primarily and only to the disadvantage of the low-income student (entitled to a maximum grant) attending a lower cost institution. Thus it is inherently unfair to students most in need of assistance.

AACJC wants to associate ourselves with most of the comments made before this Subcommittee on June 9 by the National Student Educational Fund. In particular we are very deeply concerned about turning the application process for 2 to 3 million Americans seeking federal BEOG funds to private organizations or state groups. The NSEF President Layton Olson summarized our concerns very well:

> "There are also long-term problems in this delegation of public authority to private corporations. When private financial aid processors or state scholarship agencies take over the bulk of the intake of applications for the cornerstone Basic Grants Program, they also become in the minds of many students, the 'retailers' or 'gatekeepers' of important student financial aid rights. In turn, the Federal Government becomes the 'wholesaler' of these rights. This may lead to confusion in the minds of students about the security of these rights to financial aid."
>
> "The U.S. Office of Education is issuing a license to private processors and state scholarship agencies to collect fees from students who are applying for public student financial aid funds. Over 75 percent of these funds come from the Federal Treasury. This is a major step backward. The U.S. Office of Education is also retreating from direct contact with students by taking several million BEOG applications off the street. The new system encourages students to use a private processor that charges $5-10, and no federal regulation of this fee exists. The Office of Education is contributing to building financial, administrative and psychological barriers to access to postsecondary education. These barriers, which arise from the cost and complexity of the financial aid process, as well as from the admissions process and the information process, now total about $100 out-of-pocket expense and several months of effort per institution for the applicant. These are substantial barriers to student participation in making informed choices about whether to attend school or not, and among schools and programs.
>
> Olson said, "During the first year of multiple entry for Basic Grant applications, we propose that the Office of Education evaluate the fee charged to the student both for its appropriateness in a public financial aid system, and its impact on students, particularly first-time applicants or students interested in early information in 9-11th grades. We also urge that state scholarship agencies which become processors not be allowed to charge processing fees either directly or through contract with ACT or CSS."

I do not believe that the National Direct Student Loan program is ready for retirement. While about 150 large colleges and universities have built revolving funds to carry on the program on their own, this is not true of community colleges, which came into the program more recently. Also, community college are concerned for their low-income students who transfer to four year colleges and universities.

While AACJC has long maintained that loans are not the method to assist those community college students who are "high risk" — both to themselves and to the institutions — certainly, the high interest Guaranteed Student Loan program, requiring bank relationships, is even less desirable.

We support the continuation and adequate funding of the Supplemental Educational Opportunity Grants, although the program tends to support students at more costly institutions. Students must have effective freedom of choice in selecting an institution to attend.

The College Work Study program is very popular with community colleges. The work experience helps the students in their personal and educational development, in addition to providing them with needed funds. I am pleased that the program is also popular with Congress.

Two year college participation rates for the college-based programs are lower than might be expected. For academic year 1976-7, rates were 16.7% for SEOG, 8.8% for NDSL, and 21.0% for CWS.

Lifelong Learning

57% of community college students attend part-time. Their average

age is increasing, and is now over 27 years of age.

As these figures indicate, community colleges are more than committed to serving non-traditional students. They are serving them.

This fact gives us a strong interest in Title I of the Higher Education Act, both Part A and Part B. I believe that Part B, Lifelong Learning, should be funded adequately to undertake the studies, analyses, and demonstrations which will shed light on effective approaches to identifying and meeting the educational needs of adults.

In the meantime, however, a lot of effective programs are being delivered under Part A of Title I, Community Services and Continuing Education. I hope that the modest changes in state planning required by the Education Amendments of 1976 will produce much-needed improvements in funding for community colleges under Title I. What has been disastrous underrepresentation has been improving in recent years, but is still low when one compares the program's purposes with community college capabilities and notes a strong identity.

In both credit and community service work, community colleges have a history of providing service to "new" students. In large part this is without benefit of help from Title I. However, financial problems in the states and local jurisdictions have pur crimps on funding for such programs. In order to carry on and improve these programs, community colleges need more help from Title I, both for "seed money" to make improvements and initiate new programs, and for program money to carry on low cost programs which can serve low income people.

Low cost programs are very important to adult part-time students. Though part-time students are eligible for BEOG grants, the bulk of working adults do not meet the income categories to enable them actually to receive grants, while on the other hand their incomes are not large enough to afford education easily. Thus a great challenge in Lifelong Learning is to figure out a means of making study available and attractive to adults -- through student aid, support for low cost programming, or some other approach.

Categorical Programs

Last year the National Council for Resource Development (an adjunct council to AACJC) made a study of community college funding in federal categorical programs. The study showed what we have long been saying, that in general community colleges don't do well in categorical funding. A summary of the NCRD report is attached.

The percentages of support for community colleges in federal categorical programs permit some interesting generalizations about our relative chances of success in federal programs.

1. Relatively few programs are targeted so directly to community college activities that their funding reflects their contributions to the field. Of the programs on the attached list, perhaps three fit this category: cooperative education (which reflects the education/work competencies of community colleges), veterans cost of instruction (about 54 % of veterans attend community colleges), and special services in college (community colleges serve great numbers of minority and disadvantaged students).

2. Formula grants. Because of their formula approach, college library basic grants (Title II-A) and nursing capitation grants provide funds to community college programs in proportion to their numbers or their involvement in the activity.

3. Most other categorical programs, although they are addressed to problems of great interest to community colleges, send proportionately few funds their way. I have mentioned Title I already. This is a program where the capability of community colleges and their potential for meeting the program's objectives are very great, but funding does not approach this level. Another example (among many) is the Career Education program. Despite the fact that "career education" is one of the major goals and contributions of community colleges, they receive a very limited proportion of the funds.

4. Set-asides. Title III and vocational education state grants both have set-asides which ensure (especially in the case of Title III where the set-aside is 24% just for two-year colleges)

that a certain proportion of funds support two-year college activities. While I understand that the set-aside approach is not popular with the Congress, I think these examples show that they help make sure that Congress' goal of quality education for minority and low-income students is achieved. I would recommend that the Committee seriously consider the need for a set-aside in other programs as well.

Unfortunately, the one program uniquely designed to meet the needs of community colleges, namely Title X of the Higher Education Act, has never been funded. We hope that the application of the "trigger" provision in the Education Amendments of 1976 will at last bring funds to this vital program which is now more than ever geared to help colleges meet the needs of non-traditional students.

As a final thought in this discussion of specific Office of Education programs, there is a current and immediate problem with the Veterans Cost of Instruction program. As the 1976 amendments to this program have been interpreted, institutions are still required to maintain veteran enrollments at 110%.Without some attention to the problem, VCIP grants in the current year will be skewed to fewer institutions, both two-year and four-year, which may not necessarily be those serving the greatest number of veterans. The intent of the program will not be carried out and the $23 million appropriated will not serve the purpose Congress intended. A combination of factors have reduced veteran enrollments at colleges, This fact, plus the effect of the May 31, 1976 delimiting date for post-Korean G.I.'s, plus the interpretation of Sec. 126 of the 1976 Education Amendments (which seems to ignore the intent of that section) means that some 30% of previously elibible colleges will not meet enrollment requirements and thus will not be eligible for the program -- including, as I say, some colleges serving large numbers of veterans. This will be good for the remaining colleges, which will get greater amounts of money. However, it will not be good for veterans attending the colleges which will be ineligible unless something is done. And this amounts to about 40%, or 300,000, of veteran students previously served by VCIP. Thus there is need to amend Section 420(a)(1) by striking out "110" and inserting in lieu thereof "35". This will make it possible for colleges and universities to continue to participate in the program.

Veterans Administration Problems

While you heard plenty on June 1, 1977 on problems with the V.A., I would be derelict in representing our institutions if I did not also raise the problem. As I have mentioned above, 54% of veterans using V.A. educational benefits attend two-year colleges. For that reason the current spate of regulations issued by the Veterans Administration is particularly oppressive to our colleges. P.L. 94-502, which most of these regulations are designed to implement, was passed with more haste than deliberation in the waning moments of the last Congress. The combined effect of the law and the regulations is , to use the old cliche, "throwing out the baby with the bathwater."

While it is true that there have been a few well-publicized cases of "rip-offs" by institutions and/or veterans, Cong. Mottl at this Subcommittee hearing on June 1 said that only 5% of veteran students are irresponsible or abuse the benefits. In contrast, the law and regulations affect 100% -- all veterans in training and and all institutions. More carefully targeted legislative language and regulations are needed to control the excesses, without causing undue and costly recordkeeping and reporting by institutions, and without forcing changes in carefully developed educational policy and conformity to an out-of-date V.A. conceived norm of educational practice. Particular irritants are the 85-15 and two-year rules and V.A. regulations M & O.

I urge this Subcommittee to support legislative corrections of the first two and to urge the V.A. to work with representatives of education to substantially change regulations M & O. It is to be hoped that through cooperative efforts of the Congress, the Veterans Administration, and educators, targeted controls can be devised which will prevent abuse without imposing hardship on institutions nor adversely affecting legitimate educational opportunity for deserving veterans.

Regulatory and Financial Concerns

Now I would like to turn to some matters that affect community and junior colleges equally with all other institutions of higher education, matters which in the most general sense are referred to as "stresses on the system."

Most of these stresses are financial. Many are a direct result of federal policy, while some result from more general economic problems.

Whatever the cause, however, institutions are faced with a very real problem of maintaining and improving the quality of the education they provide to students in the face of uncontrollable cost pressures. I won't go into detail here. Some of the facts and figures are in the background paper provided for your June 1 hearing, and more complete documentation is available from other sources. But I do want to point out that these are matters of grave concern which affect the planning and budgeting of every institution in the land.

To begin with, there's inflation. Everything we need, from faculty salaries to paper clips, costs more. Energy costs are reaching the sky even while consumption decreases. A recent survey shows that between 1973 and 1975 consumption decreased 12 while cost per student and per square foot each increased increased 57%. Nationally, it is calculated that renovation of facilities to make them energy efficient would cost $4 billion -- if done, this would at least have the effect of decreasing the rate of increase of energy costs.

Add to that the government-imposed erosion of institutional finances for compliance with various socially-motivated regulations. Without disputing the need for the services embodied in these regulations -- such as Title IX and other affirmative action programs and procedures, occupational safety and health, increases in social security, and services, programs and facilities for the handicapped, to name some of the major ones -- it is undeniably correct that they are costly. At one community college, such costs rose from $25,000 in 1968-69 to $480,000 in 1974-75. Excluding social security, costs at the same institution were $1200 in 1968-69, and $180,000 in 1974-75.*

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*"The Cost of Implementing Federally Mandated Social Programs at Colleges and Universities," Policy Analysis Service, American Council on Education, 1976, p. 33.

Soon, colleges and universities will also have to comply with the new educational information requirements which are currently out as proposed regulations to implement Sec. 493A. The 1976 amendments require colleges and universities receiving funds for student aid to employ one or more persons on a full time basis to perform certain specified functions relating to student information and to undertake certain specified activities. Again the goals are worthy, and indeed institutions already perform most of these functions. However, the regulations are specific enough that it would appear that new personnel and specified new activities are required. When the law was passed this particular section was predicated upon the administrative allowances for BEOG and GSL, but here's the hooker — the administrative allowances are not being funded, but the requirements remain, and are certain to cost most colleges more than they will gain from the only viable carrot, the 1% increase in administrative allowance from college based programs.

What is needed, I believe, is a compliance cost impact statement to accompany every new federal regulation, just as there now are paperwork impact statements, enviromental impact statements, and inflation impact statements. This would make both Congress and the Administration reckon with the burden that they are imposing along with federally mandated requirements.

There is a principle to remember when new costs are imposed, and this is that institutions of higher education have no way to recoup funds which are expended to meet federal requirements of this nature. Unlike business, they can't effectively increase prices to absorb the costs. If they are publicly funded, as community colleges are, their funding sources, the local jurisdictions and the states, are financially pressed to the limit. If they are privately funded like junior colleges, there is a limit beyond which tuition can reasonably be increased, and all but the few most prosperous institutions are already straining their endowment and gift resources, without coping with additional costs. At a minimum, federal funds should accompany federal requirements. Lacking this, it could be argued that the federal government is contributing to the detioration, rather than to the quality, of higher education.

Concern for the quality of the postsecondary educational experience demands that the federal government interest itself in the health of the institutions as well as in access for students. From this point of view the administrative allowances I mentioned above are important. So are the various categorical programs which help institutions provide certain particular services. Beyond these, we look forward to the day when it will be possible to provide the cost of education funds authorized in Sec. 419 of the Higher Education Act. These general funds, which would flow to institutions based on their enrollments of federally aided students, would help institutions compensate for inflation, keep tuition costs down, and keep high quality educational services up.

When Dr. Hagemeyer, Chairman of the AACJC Board of Directors was to appear today, he asked Jack Tirrell of the staff, who works in D.C. here each day, to write a paragraph as a summary. He said this:

> "Although we have had three different occupants of the White House in the last 3 years, the overwhelming bureaucracy is almost constant. The administration is still some Nixon, a touch of Ford but very little of Carter -- sort of a NIXORDER. (Example - the continued recommendation for zero funding of NDSL). Almost one-half of the House of Representatives have been elected since 1970, many with rhetoric like the President, but we find them passing a law like the "trigger" 255-146 in June, 1976 and yet in June 1977 this law is not acknowledged. As the record indicates, there are a significant number of positive achievements but this torrent of regulations and paperwork has obscurred much of this because of the new problems created for our institutions. We are looking forward with anticipation to the 'new relationships' promised."

In closing, I want to thank the Chairman and Members of the Subcommittee for inviting me to appear today. I will be happy to provide any additional information you may request.

DATA SUMMARY

FEDERAL CATEGORICAL AID PROGRAMS

FISCAL YEAR 1976

Funding Agency/Program	Total Awards	Dollars Appropriated	Two-Year Institutions Awards #	Two-Year Institutions Awards %	Two-Year Institutions Dollars #	Two-Year Institutions Dollars %
ACTION						
University Year for ACTION	69	6,048,000	4	5.8	310,550	5.1
The Youth Challenge Programs	30	300,000	2	6.7	27,760	9.3
Sub-total	99	6,348,000	6	6.1	338,310	5.3
Coastal Plains Regional Commission	100	10,786,200	4	4.0	1,132,060	10.5
Four Corners Regional Commission						
Technical Assistance and Supplement to Federal Grants-in-Aid	155	7,000,000	8	5.2	993,000	14.2
National Endowment for the Arts*						
Cultural Facilities	4	325,000	0	0.0	0	0.0
National Themes - City Options	28	563,091	0	0.0	0	0.0
Professional Education	21	292,862	0	0.0	0	0.0
Public Education	47	573,799	0	0.0	0	0.0
Dance Criticism	2	23,000	0	0.0	0	0.0
Dance/Film/Video	4	49,860	0	0.0	0	0.0
Arts Exposure	215	2,549,722	2	0.9	14,950	0.6
Summer Special Projects	65	496,457	2	3.1	10,000	2.0
Writers in Developing Colleges	9	64,080	1	11.1	10,000	15.6
Public Media	57	681,516	2	3.5	30,000	4.4
City Spirit	18	749,930	1	5.6	25,000	3.3
Community Residents	23	473,417	1	4.3	30,000	6.3
Folk Art	28	497,111	1	3.6	20,000	4.0
"In-Residence" Programs	85	187,720	1	1.2	15,000	8.0
Crafts Exhibitions	24	112,047	1	4.2	2,500	2.2
Sub-total	630	7,639,612	12	1.9	157,450	2.1

Funding Agency/Program	Total Awards	Dollars Appropriated	Two-Year* Institutions Awards #	Two-Year* Institutions Awards %	Two-Year Institutions Dollars $	Two-Year Institutions Dollars %
National Endowment for the Humanities						
Education	143	9,598,121	8	5.6	382,737	4.0
Youth Grants	43	1,404,074	0	0.0	0	0.0
Fellowships	869	5,054,861	101	11.6	461,032	9.1
Sub-total	1,055	16,057,056	109	10.3	843,769	5.2
Health Resources Administration						
Nursing Capitation*	1,050	34,343,000	485	46.2	12,499,508	36.4
Nurse Training	211	15,000,000	15	7.1	875,000	5.8
Sub-total	1,261	49,343,000	500	39.7	13,374,508	27.1
National Science Foundation						
Comprehensive Assistance to Undergraduates in Science Education	59	10,000,000	17	28.8	2,290,000	22.9
Undergraduate Instructional Scientific Equipment	327	2,900,000	17	5.2	101,100	3.5
Local Course Improvement	72	1,000,000	4	5.6	37,000	3.7
Student Originated Studies	69	972,000	0	0.0	0	0.0
Women in Science	33	946,000	1	3.0	5,465	0.6
Sub-total	560	15,818,000	39	7.0	2,433,565	15.4
U. S. Office of Education						
Bilingual Vocational Training	22	2,800,000	6	27.3	634,107	22.8
Bureau of Postsecondary Education, Fulbright-Hays Training Grants	105	2,700,000	4	3.8	50,556	1.9
Career Education	118	10,100,000	3	2.5	409,289	4.1
Community Service and Continuing Education	15	14,250,000	1	6.7	100,000	0.7
Community Education	94	3,500,000	3	3.2	80,835	2.3
Cooperative Education	306	10,750,000	126	41.2	4,028,436	37.5
Drug Abuse Prevention	27	2,600,000	0	0.0	0	0.0
Educational Broadcasting Facilities	73	12,500,000	3	4.1	251,440	2.0
Educational Opportunity Center	12	3,000,000	3	25.0	672,750	22.4

Funding Agency/Program	Total Awards	Dollars Appropriated	Two-Year Institutions Awards		Two-Year Institutions Dollars	
			#	%	$	%
Environmental Studies	90	3,000,000	3	3.3	28,778	1.0
Ethnic Heritage Studies	49	1,800,000	2	4.1	82,000	4.6
Handicapped Research and Demonstration	approx. 170	11,000,000	0	0.0	0	0.0
Library - Title II-A	2,560	9,975,000	1,110	43.4	4,318,533	43.3
Metric Education	77	2,090,000	5	6.5	101,125	4.8
Right to Read	273	23,800,000	14	5.1	946,078	4.0
Special Services	327	23,000,000	90	27.5	6,055,825	26.3
Strengthening Developing Institutions	287	110,000,000	84	29.3	26,400,000	24.0
Talent Search	116	6,000,000	15	12.9	834,106	13.9
Title VI - Equipment	774	7,500,000	190	24.5	1,953,636	26.0
Undergraduate Level International Studies Programs	13	750,000	2	15.4	59,959	8.0
Upward Bound	403	38,331,000	58	14.4	4,219,863	11.0
Vocational Education						
Curriculum	13	1,000,000	0	0.0	0	0.0
Research	87	9,000,000	12	13.8	606,432	6.7
Women's Education Equity Program	66	6,270,000	2	3.0	106,644	1.7
Sub-total	6,077	315,716,000	1,736	28.6	51,943,422	16.5
Assistant Secretary for Education						
Fund for the Improvement of Postsecondary Education	147	13,500,000	14	[illegible].5	915,688	6.8
Office of Human Development - Administration on Aging						
Special Programs for the Aging Title III	75	13,800,000	6	8.0	366,268	2.7
Special Programs for Research and Demonstration - Title IV-B	113	8,000,000	0	0.0	0	0.0
Sub-total	188	21,800,000	6	3.2	366,268	1.7
GRAND TOTAL FOR FIFTY-SIX PROGRAMS	10,272	464,007,868	2,434	23.7	72,498,040	15.6

*Fiscal Year 1975 data utilized as 1976 data were not available at the time of this study.

STATEMENT OF DR. REGINALD WILSON, PRESIDENT, WAYNE COUNTY COMMUNITY COLLEGE, DETROIT, MICH., ACCOMPANIED BY JOHN E. TIRRELL, VICE PRESIDENT FOR GOVERNMENTAL AFFAIRS, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES, WASHINGTON, D.C.

Mr. WILSON. Thank you very much, Mr. Chairman, and thank you for those kind words.

Mr. Chairman and members of the subcommittee, as well, my name is Reginald Wilson. As Chairman Ford indicated, I am president of Wayne County Community College, of Detroit, Mich. I am here today representing the American Association of Community and Junior Colleges, an association of about 1,000 colleges.

I am also pleased to have Dr. Tirrell here with me, who is the vice president of governmental affairs for AACJC.

I also appreciate the opportunity of these overview hearings of Federal support to postsecondary programs.

In summarizing the testimony, which you have entered into the record, I would like to point out to you the uniqueness of the community college movement as it has served in its role in higher education in the United States. As you know, one of the special advantages of the community college is its open door policy, which means it serves both the highly prepared student and underprepared student, and students from all walks of life, which is untypical of most colleges and universities. In addition, like all higher educational institutions, it must have the same duties and responsibilities to postsecondary education as they do.

Because of the high unemployment of the underprepared and disadvantaged student, the impact of the Basic Education Opportunity Grant is particularly great in community colleges. Thirty-four percent of BEOG grants go to community college students, which means greater access to higher education. We want to commend this committee for its role in supporting the BEOG program. There is a concern, however, relative to the half-cost limitation provision of the BEOG grant, but since the ceiling has been lifted, that impact is less than it used to be, but also, it does work to the disadvantage, particularly of minority students, and these are the students who are most in need who attend community colleges.

We agreed with the National Student Education Foundation, who has expressed a concern, of application fees to private organizations or State groups. To emphasize that, the National Student Education Foundation said:

> The U.S. Office of Education is contributing to building financial, administrative and psychological barriers to access to postsecondary education in the sense of those students whom we serve particularly are being affected by the transmittal of those funds to private organizations and to State groups.

This is particularly true of the high-risk, low-income student who is typical of the community college student. This student needs continuing education, community services, and lifelong learning, which are not offered by our usual universities or by the private sector. The typical community college student, for example, is 28 years old. At Wayne County Community College, we have another uniqueness in that the typical student, if we gave a profile, would be female—55 percent of our students today are female. The typical student has been out of school for some time. Eight percent are below average in academic achievement, and are low income. All of them are barriers to higher education, which means more of the funds for the support of education should go into institutions which have an inordinate proportion of students from the disadvantaged group in their population.

There is a great need for title I funds, and it should be fully funded so the advantage can accrue to the community college.

In addition, we support the implementation of title II grants which specifically relate to library grants; also nursing capitation grants, which specifically help community colleges in the associate nursing degree program.

Also set-asides, title III and vocational education State grants both have set-asides which insure that a certain proportion of funds support 2-year college activities. Seeing the uniqueness of the community college, we stress the need for set-aside grants in all Federal legislation for community colleges.

We also support the title X provisions, specially as they are to community college education, but that has never been funded. We do urge this committee to support the funding of that.

I would like to speak for a moment about the veterans cost of instruction program and some of the veterans' regulations. Recent studies indicated many regulations are almost impossible to monitor. This is a problem for Wayne County Community College. It is a problem of all colleges and universities across the country. Indeed, the Michigan Community College Association has contemplated entering a class action suit against the Veterans' Administration on behalf of all community colleges in Michigan because of the impact of secondary liability that the Veterans' Administration has attempted to impose. Wayne State University was successful in securing an injunction to prevent the imposing of the secondary regulations.

I would like to make this committee aware of the impact of those regulations. I would characterize it, in requiring the colleges and universities to do their job to keep track of those students eligible for funding and to be sure that the student attendance is according to the requirement, more carefully targeted legislative language and regulations are needed to control the excesses, without causing undue and costly recordkeeping and reporting by institutions and without forcing changes in carefully developed education policy and conformity to an out-of-date VA conceived norm of educational practice.

I would still want to see that in a much more favorable light from the Veterans' Administration and from the legislation. The formal testimony, which has substantial documentation on this issue, is entered into the record and will explain this in more detail.

I would conclude by saying we recognize that all costs are going up. There is great increase in inflation. Energy costs are rising at extraordinary rates. Finances are going up. However, colleges and universities cannot, like private industry, increase its revenue to meet those costs. As a consequence, we will need greater Federal legislation to increase aid and to increase the quality of education for colleges and universities and more particularly, the community colleges, for a substantial number of disadvantaged students attending school.

I want to thank you and the members of the subcommittee for allowing me to testify on those aspects of the Federal legislation which particularly affect community colleges, and inner-city colleges, such as Wayne County Community College, and to be able to speak on behalf of the Association of Community and Junior Colleges.

We are prepared to answer any questions, Dr. Tirrell and I, with more specificity, from the association if you wish.

Mr. Ford. Thank you.

In making mention of the concern of the Administration's recommendations to discontinue support for the direct student loan program, on the assumption that a large number of schools have a sufficient revolving fund to carry on without the additional impetus of Federal funds at this time, you point out that community colleges are at a disadvantage because they are relatively new in the program. Could you use your own institution, and its growth in recent years, to give us specific examples of how that works?

Mr. Wilson. In terms of Wayne County Community College, we rely more on institutional support of basic opportunity grants than on the National Defense Student Loan, although it is a part of our program. I think we will find the banks and lending institutions have not been as sympathetic in terms of supporting loan programs as would be implied in the national statistics of the support. An inner-city school, like ours, although we do serve the totality of Wayne County, would have a different kind of response; that is, a lesser responsibility, from the lending institution to participate in this than would be true in the Nation as a whole. Perhaps Dr. Tirrell, speaking from a national viewpoint, could give more information on the impact of the NDSL.

Mr. Tirrell. Thank you. On page 3, toward the bottom, we indicate of those national NDSL programs, community colleges are only getting 8.8. percent. Our institutions, in general—I am sure Dr. Wilson would agree at Wayne—do not try and push loans onto our students. Because, one, the families and the people have trouble, as he indicated, getting GSL loans through the banks and the like. We have been slow in the community colleges in starting up in the NDSL program, and therefore, none that we know of—and we have made some attempts—are anywhere near having revolving funds as at some of the larger and older institutions, which we are told are some 150 in number with revolving NDSL funds. So NDSL is of interest to us, as I am sure Dr. Wilson will agree, but it is not the key program by any means.

We think that BEOG is of much greater concern. Our institutions are getting about 35 percent of these funds.

Mr. Ford. Now the 85–15 rule was written to include recipients of BEOG and SEOG grants in the computation. That has been delayed now for another year. Assuming that no legislative relief is given, what impact does the inclusion of BEOGs and SEOGs have in institutions such as yours?

Mr. Tirrell. It could have a great impact as Dr. Wilson indicated. Wayne County Community College particularly, as an institution serving predominantly low-income students, would have substantial majorities of students in classes who would have either veterans funds or BEOG or SEOG funds. As a consequence, you may very well have a number of classes where the majority of people in that class, up to and possibly exceeding 85 percent on Federal financial aid of one kind or another. It would be hoped that the imposition of that 85–15 rule would be either delayed or completely deleted because it could impact on institutions of ours because we serve low-income students on financial aid.

Mr. **Ford.** At the community college level, could you have programs being developed which by the nature of their program content, have a special appeal to veterans? I am thinking particularly of an example that has been given to us of a paramedic program where credit is given for previous military training in the medical field. It is tailored primarily to take advantage of that previous military training in providing a certificate that becomes salable in the marketplace in a growing profession. Do you have other types of programs of that kind that might attract a very high percentage of veterans to the program?

Mr. **Wilson.** Yes; we have over 2,000 veterans out of our 20,000 students who attend Wayne County Community College. We do have specific programs that relate directly to the experience that veterans have in their military training. In looking at curriculum development, we have matched some of the veterans occupations with the DOT—the "Dictionary of Occupation Titles," to see where we can develop curriculum and spinoffs and add-ons to the military training so a vet coming out can move directly into some of those programs which you mention.

One is a program we have in conjunction with Wayne University College of Medicine. That is the paramedical service. Over 90 percent of the students in that EMS program are vets who come out of the medics training in the service, come to us and work in the emergency medical service and take their medical training in the Wayne State University laboratories. We offer them the associate degree, although it is a combined program. They make up the majority of people who now operate in the emergency medical service in Detroit.

We also have an aircraft mechanics program. The majority of people in that are vets who were formerly involved in aircraft training in the military and can then move into our program. Most of the current persons in training at both Metropolitan Airport and the Detroit City Airport are from our program. Again, we try and operate as a unique community college, with airports out of our boundaries, and combine with us to offer that program.

These are some of the things that are specifically attracting the vets.

Mr. **Cornell.** Would the gentleman yield?

Mr. **Ford.** Yes.

Mr. **Cornell.** What percentage of your student body who have received some type of Federal aid would be affected by that 85–15 rule?

Mr. **Wilson.** If you put veterans together, the BEOG's, SEOG's, and NDSL account for 75 percent of our student body.

Mr. **Cornell.** You surely would be affected by it if the 85–15 rule would go into effect?

Mr. **Wilson.** Yes, sir.

Mr. **Cornell.** You say, I believe, 2,000——

Mr. **Wilson.** Are veterans; that is correct.

Mr. **Cornell.** Have you found there are courses currently where you have this problem with about 85 percent of these veterans?

Mr. Wilson. Since it isn't being imposed it does not affect us but it scares us because if it were imposed, it could affect us, particularly in those programs that are geared toward veterans like paramedics programs—nearly every student in our paramedics program is a vet—that could really be a hardship. The same is true of our aircraft-related program which attracts veterans. Some of our highly skilled technical and voc-tech programs have significant proportions of vets in this, as well as others, on financial aid. As Chairman Ford indicated, the possibility that it could impact on our student attendance is very, very great.

Mr. Cornell. What about the affect of the 2-year rule?

Mr. Wilson. A number of our programs would be affected by that.

Mr. Cornell. I would presume, Dr. Tirrell, you are in a better position to answer this, that this would particularly affect community colleges and junior colleges?

Mr. Tirrell. Yes. I did not want to interject, but his experience, talking about Wayne County, is very typical of the urban communities around the Nation. They have moved into the urban areas with the campuses, and have a high percentage of BEOG and SEOG recipients. The veteran has decided not to go away from home and we figure it might cut off—now this is an estimate, the application of the 85-15 rule, as written—100,000 veterans, mainly in inner-city and urban community colleges.

Mr. Cornell. What about the waiver of the 2-year rule? Have you had any experience in that respect?

Mr. Tirrell. The answer is "Yes," because in essence, if it was going the other way, we would probably scream like blazes. But the VA, in essence, has sort of waived the law away that the Congress made in all their wisdom. There is another aspect to this. If they applied it, as written, practically every graduate school would be closed. So many have NSF grants, and those, technically, all should be counted. That was put aside early after some negotiations.

They waived the BEOG and SEOG. But the answer is, "Yes." The exact extent I don't know, but we feel confident—100,000 veterans in our colleges—if you absolutely applied the 85-15 as written.

Mr. Cornell. It was my understanding that the waivers were supposed to be granted through the State agency.

Mr. Tirrell. I believe, sir, though keeping up with the VA is a little hard, that this is—in the consultation with the higher education community, if you do not have more than 35 percent of your total student body, although some of the State approval agencies have gone back and looked at specific courses as well, which is the reason why the community is still pressing to get the law off the books or get it rolled back to where it was before for noncollege degrees because there still is uneven interpretations of it.

Mr. Cornell. While we are on this, I have one other question in which I am particularly interested: That is the question of the certification of progress—I mean academic progress—and I know you have reference to regulation M and O in your statement. Have you had problems?

Mr. Wilson. We have serious problems and we are not unique in that. That is a distinct problem, first, in terms of interpretation of what adequate standards of progress are. In our particular instance, in imposition of the Veterans' Administration rules required a change in our academic policy so that, in a sense, the VA has changed the philosophy under which the colleges operate.

We have, for example, as was true at Oakland Community College, a nonfailure policy in the sense if the student does not meet the minimum requirements of a "C" or better, they are allowed to retake that course, or something, without receiving a failing grade. However, the VA interprets that as not complying with the standards of progress. Therefore, they require the establishment of grades, including failing grades, to determine whether a student has adequately made progress. Of course——

Mr. **Cornell.** May I interrupt. When you talk of nonfailure and progress, many public institutions have talked about that, but it used to be that progress was determined by a number of credits, and then it was courses. So, you had to have, within a certain period of time, satisfied a certain number of courses. I presume you have something like that, don't you?

Mr. **Wilson.** Yes; that is right. It does; you are right. Nonfailure doesn't go on forever. What you are suggesting is—I find some difficulty with a Federal agency dictating the grading policy of an institution—and what we are saying is that our grading policy does not meet their requirements for determining whether standards of progress are being met; therefore, we are made to change our grading policy to include failure grades in order to assure them that students were either making or not making satisfactory progress. Fortunately we are still able in transcripts which go to other institutions, eliminate those grades.

Mr. **Cornell.** On your permanent records they had no record of that so you have to have separate records?

Mr. **Wilson** That is right. They created a separate recordkeeping. One recordkeeping we see most is we report to the Veterans' Administration and the recordkeeping for transcripts which we maintain in a different fashion. But it makes for more bureaucracy in reading the guidelines.

Mr. **Tirrell.** This is called the Readjustment Act and some of us used the GI bill. I did after World War II, and some of our colleagues who had been in the 8th Air Force—I can tell you by name who they are—for 2 years did not earn any credits in 1947 and 1948. They were shaky and so, they were readjusting. Today, they are paying more taxes than they ever got out of the GI bill but the way the law is written now, we don't have a readjustment program now.

In one term if you don't make a "C" or better, you are done. The readjustment period that so many of us from Korea and World War II and the cold war had, a human readjustment policy is no longer available, in my opinion.

Mr. **Cornell.** I discussed with some of the other witnesses a suggestion I have that we put the responsibility of informing the VA of the progress of students on the students rather than on the institution.

Mr. **Wilson.** That has been our policy. We absolutely agree with that, that the responsibility ought to be on the student as the student is continuing on the VA authorization assistance receiver. What is happening is the institution is being penalized for not keeping contact with the contract, which is, in essence, between the Government and the student, I think, in that sense, it is an unfair obligation indeed.

We were one of the institutions that was being pressed on secondary liability, both on the standards of progress and on the timely reporting of attendance. As an inner-city decentralized institution, we operate out of 23 instructional centers and the effect of timely reporting of attendance is almost an administrative nightmare.

Mr. **Cornell.** I wonder how many institutions of higher education would have an attendance check as far as classrooms are concerned.

Mr. **Wilson.** I could name them. In fact, to succeed in getting any kind of meaningful attendance check we have to negotiate in the collective bargaining contract and then we would enforce the faculty members with keeping attendance records. Before that, it was impossible to enforce.

Mr. **Cornell.** I am glad to hear you are remarking about my suggestion that we put the responsibility on the student. We have had a number of suggestions on this matter and perhaps something can be done.

Thank you, Mr. Chairman.

Mr. **Ford.** Mr. Buchanan.

Mr. **Buchanan.** Thank you, Mr. Chairman.

Dr. Wilson, what would the tuition costs be at your college for a student taking 12 credits?

Mr. **Wilson.** About $12 per credit hour, about $144.

Mr. **Buchanan.** What would be allowed a student living away from home in the way of living and board expenses?

Mr. **Wilson.** I am afraid I can't give you the information on that.

Mr. **Tirrell.** We would be happy to get it.

Mr. **Wilson.** I could supply it. I would have to admit, in terms of the specific data in this financial aid area I don't have at my fingertips——

Mr. **Buchanan.** Maybe it is not a fair question. I am trying to measure the impact if we remove the half-cost limitation on BEOGS as you propose. I wonder what that would do in terms of the many thousands of students who can live at home and pay $400 to $800 tuition, making them eligible for $1,800 grants. What would be the impact with that kind of scenario?

Mr. **Tirrell.** My memory is coming back—and you are going to have a witness later today from California—our colleagues computed costs in the Los Angeles area, and I don't mean one or two colleges, about 20 of them, a year or so ago for commuting students and it cost them about $1,400 or $1,500 a year, with the expenses of eating out, commuting and so forth, and that is the no-tuition Community College of California.

It is hard to believe sometimes, but you don't commute, you don't clothe yourself, and so forth for nothing. For independent students, it was somewhere in the neighborhood of over $2,000 a year. Maybe when she is up here in a few minutes, you can ask her, tuition alone was not the largest cost for those commuting students.

Mr. **Wilson.** It is the cost of living. Ours is in that neighborhood of around $2,000.

Mr. **Buchanan.** As you appraise these other problems in NDSL and work study, do you buy the package of programs concept, that is, that BEOG should be the basic program but that it is proper to build a package?

Mr. **Wilson**. Yes, there ought to be a number of approaches to assisting them. I agree with the concept but the bottom line would be the BEOG program. We certainly have made an impressive case in the statistics.

Mr. **Buchanan**. The community colleges aren't getting a very high percentage of funding from these programs.

Mr. **Wilson**. No, considering the kinds of students, particularly the low-income, disadvantaged students, where the needs are.

Mr. **Buchanan**. Thank you very much. Thank you, Mr. Chairman.

Mr. **Ford**. I am interested in the figure for lifelong learning, 57 percent of the community college students attend part time. Their average age is increasing and is now over 27 years of age. Is that a national figure?

Mr. **Tirrell**. That is a national figure, sir. I think Dr. Wilson said it is 28.

Mr. **Wilson**. That is right, 28. Ours is even older than the national average.

At our last commencement our oldest graduate was 71 years old.

Mr. **Ford**. In the area that you serve, you have been through now close to 5 years of severe unemployment in the industrial sector. Has that produced an increasing demand by the student past the normal undergraduate age to return to your institution for some new curriculum?

Mr. **Wilson**. That is true. With the unemployment and the recession hitting the Detroit area and the State of Michigan harder than any other place in the Nation, there was some correlation between the increase in the student population, which has been rather phenomenal, and the impact of the recession. When people are out of work, they are going to school. However, we are finding, despite the fact the mere turning around in Michigan and the auto industry picking up, et cetera, nevertheless we are not showing a drop in student enrollment once these students got "hooked by school" literally.

They are continuing. In addition, we have expanded into a substantial senior citizen program, which is another of the constituencies which I mentioned here. We have over 2,000 senior citizens attending schools. We offer free tuition to attend. That also contributes to the high average age of our student body.

Mr. **Ford**. Who picks up the tuition for the senior citizens?

Dr. **Wilson**. That was an institutional determination that we would offer education to seniors free. What it amounts to is that many of the seniors attend our community services and lifelong learning program where the tuition is substantially lower and where the cost of instruction is lower. That is how we are able to cover the cost. They pay a registration fee. Many of those courses are taught by part-time faculty who do not receive the same rate as our regular faculty.

They are on a contractual relationship and therefore we are able to offer those programs at a lower rate. That is how they cover the cost.

Mr. **Buchanan**. There is one other thing, Doctor, that I would appreciate your spelling out for us because it is one of the things about which we have had so many discussions, that is, what to do about the

National Direct Student Loan Program, as the present and previous administrations have advocated no new money. The point had been made repeatedly that institutions have built revolving funds to carry on programs on their own.

I would appreciate your making plain whether you are talking about particular institutions where the need for this direct loan program, as a part of the package, may be the greatest.

Mr. **Wilson**. That is correct. Particularly the urban institutions with high numbers of low-income students. You are correct.

Mr. **Buchanan**. Thank you.

Mr. **Ford**. On page 8 of your statement you say, "As I have mentioned above, 54 percent of veterans using VA educational benefits attend 2-year colleges." Would you be able to obtain for the committee some sort of a reasonable statement of the impact that the 8- or 10-year cutoff is going to have on this student population? When you put the age that you describe as a national average against the 8- or 10-year cutoff, it suggests that you probably have a number of students who are not going to be able to use their veterans benefits before they finish the program that they have undertaken.

Mr. **Tirrell**. We will supply that for you, Mr. Chairman. For the May 31, 1976, deadline, we had about 600,000 veterans in the community colleges across the country as a result of that cutoff and some of these other tightening up, and some say harassment of veterans, this dropped almost 300,000 in round numbers this fall—almost 300,000 by the cutoff. We will dig in further about this reduction of time.

Naturally, the number is going down that are eligible. We will have to do a little computing. They are available. I do remember those two figures.

[The material to be furnished follows:]

American Association of Community and Junior C

July 14, 1977

Honorable William D. Ford
Chairman
Subcommittee on Postsecondary Education
2368 Rayburn House Office Building
Washington, D.C. 20515

Dear Bill:

During our testimony on June 21, we promised some figures on the coming reduction in veterans. The best information we have is "Data on Vietnam Era Veterans" published by the Senate Veterans Affairs Committee as of 10/15/76.

Starting on page 17 are tables estimating discharges. Since the G.I. Bill has been available for 10 years, it is assumed the numbers would be available for education for the next ten years.

Fiscal Year	-	Number in 000's
65		496
66		550
67		576
68		788
69		972
70		1043
71		995
72		870
73		614
74		567
75		543
76		509

Thus, it can be seen that the most veterans will run out of their G.I. Bill eligibility in 1979, 1980 and 1981. Also, we can see a great drop in numbers in 1983 -- almost 250,000 less than the previous year.

It also would appear that by the mid-1980's this source of federal support for students in postsecondary education will be a much smaller portion than has been the case for the last decade.

I hope this is helpful.

Sincerely,

John E. Tirrell
Vice President for Governmental Affairs

cc: Tom Jolly
Pat Morse

One Dupont Circle / N.W. / Suite 410 / Washington / D.C. 20036 / 202-293-7050

Mr. Cornell. I noticed, in connection with that, in your statement you mentioned that in regard to the Veterans' Cost of Instruction Program (VCIP), that according to the 1976 amendments to the program, as interpreted, institutions are still required to maintain veteran enrollment of 110 percent. The purpose of that amendment was the institutions could continue under the VCIP program even if they didn't have 110 percent.

Mr. Wilson. We stated how it is being interpreted. I met with Office of Education personnel responsible for monitoring the program and unless there is a change there will be about 30 percent of the institutions that will not be eligible next year, they tell me, and since our institution is about 60 percent of that program, it will hit us very, very hard.

Mr. Tirrell. You can't keep going forever, sir.

Mr. Cornell. That was the very purpose.

Mr. Tirrell. And you were one of the sponsors of the amendment.

Mr. Cornell. They could maintain the VCIP program on the campus even though obviously their enrollment of veterans is going to fall when delimiting date came for so many of them.

Mr. Tirrell. I understand your intention, but it did not get phrased correctly. About one-third will have to drop off, as interpreted by OE.

Mr. Cornell. Perhaps you could tell us how the VCIP program works on your campuses. Is it successful in its outreach aspects?

Mr. Wilson. Yes, we have had some positive experiences with this VCIP program. We just recently went through a site visit to determine whether our outreach aspect and the impact of the program was being successful. It has been at Wayne County Community College. It has been of substantial assistance to us. We consider it one of the more successful aspects of our funding program.

Mr. Cornell. In other words, you feel it is worth the money invested in the program?

Mr. Wilson. Yes, sir.

Mr. Cornell. Thank you, Mr. Chairman.

Mr. Ford. Thank you very much for your testimony and especially for your patience this morning in waiting for us to come back. I hope you understand this is not a matter of choice of the members of this committee, because we have been looking forward to getting this testimony in the record. We hope that we can go on now with the next witness before someone over there on the floor decides to start voting.

Mr. Wilson. We would like to personally thank you for agreeing to be our commencement speaker this June. We appreciate that.

Mr. Ford. Our second witness is Mildred McAuley, president of the National Association of Student Financial Aid Administrators, El Cajon, Calif., accompanied by Joe McCormick, director of Financial Aid, Mississippi State University; Thomas Butts, director of Financial Aid, University of Michigan, and Dallas Martin, executive secretary, National Association of Student Financial Aid Administrators.

Without objection, the statement on behalf of the National Association of Student Financial Aid Administrators will be inserted in full in the record at this point. The panel may proceed, Ms. McAuley, in whatever order you prefer. You may summarize or add to the statement if you wish.

[The statement of Ms. McAuley follows:]

STATEMENT

OF THE

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
U.S. HOUSE OF REPRESENTATIVES

JUNE 21, 1977

Presented By:

Mildred S. McAuley
President

Mr. Chairman and Members of the Subcommittee, I am Mildred McAuley, President of the National Association of Student Financial Aid Administrators and the Financial Aid Officer at Grossmont College in El Cajon, California. I am accompanied by Mr. Joe McCormick, President-Elect of NASFAA, who is Director of Financial Aid at Mississippi State University, Mr. Thomas Butts, who will succeed Mr. McCormick as President of NASFAA, and who is Director of Financial Aid at the University of Michigan, and Dr. Dallas Martin, Executive Secretary of NASFAA.

We appreciate the opportunity to appear before you today to comment on student assistance programs as they exist today and how they might be improved in the future. In previous testimony, representatives of NASFAA outlined in considerable detail modifications which we feel are appropriate to make the existing programs more workable. In so doing, we have operated on the premise that the Congress has wisely fashioned essentially sound programs. Consequently, our previous proposals have been along the lines of technical improvements. The evidence will show, we believe, that the current programs of student assistance are doing a good job of providing aid to worthy and needy students. A very strong case can be made that these programs should be allowed to further develop.

We are also encouraged that recent action taken by the Department of HEW and the Office of Education will help to further improve the effective delivery and coordination of the Federal student financial aid programs. The recent announcement by Commissioner Boyer to proceed with the Multiple Data Entry System for the Basic Grants program puts into effect one of the primary recomendations of the Keppel Task Force, which was to develop a single student financial aid application form that could be completed by students and parents to apply for all forms of student aid. This will, in our opinion, greatly help to simplify the application procedure for thousands of parents and students across this country.

Further, the announcement by Secretary Califano of his intentions to establish a single Bureau of Student Financial Assistance is an important step in developing better management and simplification of most Federal student assistance programs. However, despite these positive steps, we are concerned that the new Administration has not gone far enough and still fails to recognize some other steps which are essential to improve the whole Federal student aid process.

For example, in spite of the establishment of a single Bureau of Student Financial Assistance, it is interesting to note that the Department of HEW has not yet consolidated all of the student assistance programs under its control. The Health Professions and Nursing programs, which are currently operated by the Bureau of Health Manpower under the auspices of HEW, are not included under the new Bureau of Student Financial Assistance as announced by Secretary Califano. If we are to eliminate program duplication, provide consistency of operations, and ease administrative burdens, it is essential that steps be taken to incorporate all forms of student financial assistance into a single bureau. While we commend the Secretary for his initiative, we hope that he will seriously consider incorporation of these other programs in the near future.

We are also concerned that the new Administration has too readily adopted the posture of previous Administrations that the existing structure of Federal student aid can be simplified by abolishing one of the major programs, the National Direct Student Loan program. The justification that the Guaranteed Student Loan program would be adequate to meet the needs of all students is unfounded and is further refuted by statistics generated by the Office of

Education. Their own figures show the volume of loans in the Guaranteed Student Loan program has declined by seven percent in FY-76 from the previous year. Current loan volume figures continue to show declines and minimal lender participation in several states. Further, in an Office of Education study of over 70% of current participating lenders, it was shown that these lenders have no expectation of increasing their participation in the future. There is also data to show that, within the Office of Education, more students are currently being served by the National Direct Student Loan program than are being served by the Guaranteed Student Loan program, and that over half of the NDSL funds are currently going to families with incomes in excess of $9,000 per year. This indication clearly shows that the NDSL program is serving the middle-income sector which has been so hard-pressed to meet rising college costs in the past few years.

There is also strong evidence to show that students who are enrolled in traditionally black colleges are particularly dependent upon NDSL funds and that over one-third of the freshmen students at these institutions are currently recipients of such funds. Further, this program is also being used substantially as a means of helping graduate students finance their education now that many categorical Federal fellowships are no longer widely available. While we can appreciate the Administration's desire to consolidate existing programs, we would suggest that it would be unwise to do so until we have assurances that the distinct populations currently served by each program will be provided assistance through other means.

To understand the differences in these populations, it may be appropriate to examine some statistics recently compiled by the American Council on Education's Policy Analysis Service to show to whom the student aid programs are being directed.

In academic year 1976-77, the Office of Education, through grants, Direct Loans, and Work-Study programs assisted 1.9 million students in colleges and universities. Of these, 1.4 million students received a Basic Educational Opportunity Grant alone or in combination with other aid, and another 500,000 students received assistance from only campus-based programs (Supplemental Educational Opportunity Grants, National Direct Student Loans and/or Work-Study). An additional 600,000 students received a Federal Insured/Guaranteed Student Loan.

The Office of Education's need-based student aid programs serve a wide clientele, from low through middle-income students. While the campus-based programs provide supplemental aid for many BEOG recipients, they assist another large group of students above the BEOG family income level, with the largest proportion of that assistance being self-help (loans or work-study). Three-fourths of the 1976-77 freshmen who received Office of Education need-based aid received a BEOG, or a BEOG plus one or more of the three campus-based programs. The median family income for these students was $9,656. In contrast, the remaining 25 percent of OE-aided freshmen received awards only from the campus-based programs, and had median family incomes of $15,658.

The diversity of these student aid recipient populations is further identified in the Budget Issue Paper, entitled "Postsecondary Education: The Current Federal Role and Alternative Approaches," which was published in February of 1977 by the Congressional Budget Office. This report stated, "not all student assistance programs target their funds similarly, and, as a result, they have differential effects on student access and choice." This same report goes on to point out that, "opportunities for postsecondary education remain substantially unequal among students from families with different incomes. Lower income students are less likely to enroll in higher priced schools and less likely to complete their postsecondary educations." Federal student assistance programs have shown that they can help to correct these inequities and that they do serve distinct and varied populations. For these reasons, our Association has always favored a balanced Federal assistance program comprised of the Basic Grant, the campus-based programs, and SSIG funds.

However, there are also other Federal educational benefit programs which have a substantial impact upon many students' ability to finance a postsecondary education. Two of these major student benefit programs are the Veteran's Administration and the Social Security Administration. The VA will, in 1977-78, pay $3.7 billion in educational benefits to veterans enrolled in postsecondary institutions. In addition, in 1977-78, the Social Security Administration will pay $1.2 billion in educational benefits.

In spite of the inter-dependence of these programs with the existing U.S. Office of Education programs, there has been almost no consideration given to the impact that would occur on students enrolled in postsecondary institutions if these programs were eliminated or reduced. Therefore, the members of this Subcommittee are to be commended for taking the initiative in these oversight hearings to examine all student educational benefits and to begin to develop a coordinated Federal strategy for student assistance.

We would further suggest that, in developing this coordinated strategy, caution be exercised to carefully review the true interrelationships between all of these programs and the student populations which they serve. With careful articulation and adequate funding, the current package of Federal Student assistance programs can ensure both educational access and choice to low and middle-income students alike.

In addition to these needs there are, however, some other areas of concern to our members and specific problems in student aid which we would like to bring to your attention today, and which you may wish to consider during your oversight hearings.

I. The Office of Education's Regulatory Development Process

On many occasions in the past, regulations within the Office of Education have been created almost in a vaccuum, void of any outside consultation or involvement. Recently, however, the Office of Education has modified its posture in this area and has again begun to turn to the outside community for help in drafting proposed regulations. We commend the Office of Education for this change, but are still concerned that the total process is cumbersome, time-consuming, and highly inefficient. In oversight hearings before this Subcommittee last year, Chairman O'Hara questioned representatives from the Office of Education and HEW regarding the Office of Education's past attempts to legislate by regulation, and their inability to deliver regulations on a timely basis. At that time, assurances were given to him and the members of the Subcommittee that the Office of Education would be able to meet the statutory requirement of having all regulations for the Higher Education Amendments of 1976 completed and published in proposed form by June 9th of this year. To date, this has not occurred. Only a very small portion of the total regulations related to the Higher Education Amendments of 1976 have been published in the Federal Register for public comment.

Perhaps more distressing is the fact that these unnecessary delays seem to be occurring at the Departmental levels. Normally, a packet of proposed regulations should be able to go through the Departmental process within 30 days after leaving the Office of Education. At the present time, there are several packages of regulations that have been sent to the Department for final clearance and have yet to be released, in spite of the fact that they have been available for final review for more than 70 days. This is of serious concern to our members, particularly in light of the fact that several of the proposed regulations are essential to the implementation of administrative procedures for the coming academic year. Needed programs are being unnecessarily delayed until these regulations are finalized.

To cite just one example, the Job Location and Development Program provisions, which were enacted in the Higher Education Amendments of 1976, cannot be put into effect until the institution has the opportunity to sign terms of agreement with the Commissioner of Education. Needless to say, before institutions can sign such terms of agreement, it will be necessary to have regulations available so that institutions will know their responsibilities under this program. The current delay in publishing proposed regulations for this area will force most institutions to defer the establishment of a Job Location and Development Program on their campuses until the winter or spring of 1978.

This inactivity will undoubtedly prevent many students from being placed in viable employment positions for this fall and will actually preclude needy students from attending school.

II. Program Integrity

In recent months, there has been a great deal of discussion and emphasis on the integrity of Federal student aid programs and implied abuses. All of us are aware of those few cases where serious misuse of public funds has occurred. Our Association recognizes that these incidents must be stopped, and we pledge our support to work with the Congress and the Office of Education in eliminating such situations.

Our Association would also like to commend the hard work of this Subcommittee and the full Committee in providing legislative initiatives in the Higher Education Amendments of 1976 to assist institutions to curb student fraud and abuse. Likewise, we are very appreciative of the authorizing language which would provide more adequate administrative allowances to institutions. These actions on your part have helped to answer some of our previous concerns. However, we are equally concerned with the preventive approaches being proposed within part of the Department of Health, Education and Welfare. To truly understand the area of fraud and abuse, one must carefully examine the facts:

- With the exception of a few isolated cases, most fraud and abuse is unintentional;

- Many audit exceptions which are currently being identified are the result of the lack of clear program guidelines and updated program administrative manuals;
- Inconsistency in program interpretations by the Office of Education personnel creates confusion and misunderstanding in the higher education community;
- Institutional failure to provide adequate staffing and support services to correctly administer student aid funds creates an environment which may lead to mis-management of public funds.

In addition to these factors, if postsecondary educational institutions are to be held accountable for the custodianship of public funds then, so too must the Office of Education. In our opinion, it is totally inexcusable to have final regulations governing the Higher Education Amendments of 1972 issued in the *Federal Register* one month after the authorizing legislation has expired and four years after its enactment. We also would suggest that, if the Office of Education is interested in eliminating fraud and abuse, it will not be achieved by over-regulation of postsecondary institutions. The current complexity of student aid programs, coupled with inconsistent and, at times, conflicting regulations, only adds to the inefficient management of Federal student aid programs.

A more positive way to address the problem would be to embark on a *pro-active* posture which would ensure:

1. Timely issuance of Federal regulations;
2. Development and regular updating of comprehensive program manuals;
3. Funding for comprehensive financial aid training programs;
4. Initiation of in-service training programs for Office of Education personnel, who, in all likelihood, have had limited or no on-campus administrative experience;
5. Regular institutional program reviews;
6. Development of varied institutional compliance penalties which are appropriate for the severity of the infractions;
7. Working cooperatively with the recognized professional associations to confront and eliminate all forms of program abuse.

III. Tripartite Application/Panel Review Process

Several weeks ago Commissioner Boyer announced that the process by which institutions apply for Federal campus-based funds for the coming year will be simplified and improved. In light of previous experience, we commend his initiative and hope this effort will provide greater equity in distributing Federal dollars to all postsecondary institutions.

There was a great deal of confusion during this past year regarding the campus-based tripartite application and panel review process throughout the ten regional Offices of Education. The confusion was primarily one of communication and interpretation, but one which created ill will and distrust between individual financial aid administrators and the Office of Education personnel. The major problem which occurred during the application review stemmed from inconsistencies in applying the evaluative criteria to individual institutional applications. In order to evaluate the institution's use of campus-based funds, the Office of Education initiated a rigid formula to evaluate each institution's tripartite application. Unfortunately, the actual criteria was not applied uniformly in each region which, in turn, created confusion and significant variations in the final funding recommendations. Some of the regional offices were very lenient in their interpretations of the formula, while other regional offices used the criteria as a hard and fast rule. This inconsistency from region to region caused an unusual number of institutions to appeal their recommended awards. Further, not only was there inconsistency in panel review practices between regions, but also in the sub-panels within regions. For example, within the seven sub-panels of one particular region, the percentage of the total application requests which were approved varied widely from a high of 73% to a low of 35%. These differences between sub-panels resulted in significant shifts of funding in that region. We strongly feel that this type of inconsistency must be eliminated between the regional Offices of Education in the future and that institutions must be treated more equitably than they have been in the past.

IV. Revisions to the State Allotment Formula

For the past four or five years there has been a great deal of concern expressed about the three allocation formulae which are used to establish the apportionment and allocation of funds to individual states for the campus-based programs. There is little doubt that the current formulae are producing inconsistent results from state to state. Existing criteria totally ignore the number of students who are enrolled on a half-time basis in postsecondary institutions within a state.

Even though the Higher Education Amendments of 1972 stated this category of student eligible for all student aid programs, they are currently not included in the allocation formulae. Further, the existing formulae should only include the enrollments from those postsecondary institutions actually participating in the campus-based programs, not those from non-participating institutions. Any process to modify the existing state formulae needs to be studied carefully to ensure that the distribution of Federal dollars is consistent with the intent of the Congress, and that funds are distributed equitably on a state-by-state basis.

V. Need for Institutional Discretion in Administering Student Aid Programs

During the past few years the cumulative effect of over-regulation by Federal agencies upon postsecondary institutions has seriously hampered the institution's ability to effectively administer many of the student aid programs. Uncertain and delayed funding patterns, coupled with restrictive program regulations and burdensome reporting procedures, have created an intolerable situation. Reports filed by the Federal Paperwork Commission and other committees reviewing Federal compliance standards have clearly indicated the need for consolidation and reduction of reporting requirements.

Inflexible program regulations issued by the Office of Education can restrict an institution's ability to use Federal funds to meet the program objectives outlined by the Congress. To illustrate this point, current dollar restrictions on student summer Work-Study savings and mandated institutional monitoring of all student employment do little to meet the objectives of the program. In effect, these regulations more often inhibit consideration of individual student needs. The elimination of these types of regulations would certainly be a greater incentive for institutions to expand existing programs to more effectively use Federal dollars.

Further, earlier and more timely announcements by the Office of Education regarding reallocation of available funds would greatly assist institutions in utilizing Federal funds to meet the needs of deserving students. We would also suggest that, in developing future statutes, consideration be given to allowing institutions to borrow or carry-over a small percentage of their student aid funds from one fiscal year to the next. This type of controlled institutional discretion would greatly enhance the aid administrators' ability to meet the needs of students and to facilitate smooth operation of all programs.

VI. Summary and Conclusion

In addition to the suggestions we have already made, we have attached to this testimony several specific recommendations for each of the individual student assistance programs which we feel should be considered by this Subcommittee. The majority of these recommendations are more technical in nature, but would definitely help improve the over-all management and effectiveness of the Title IV Student Assistance Programs.

In concluding our comments today, we would encourage this Subcommittee to urge the appropriate Federal agencies to work cooperatively to resolve these types of complex problems. The work which was done by the Keppel Task Force in developing the Uniform Methodology for determining students' and parents' ability to pay for college costs, and the work of the Coalition for the Coordination of Student Financial Aid in developing the Multiple Data Entry System for Basic Grants, are good examples of how the higher education community, private industry, and the Federal and state governments can work together in achieving desired objectives. Through this type of continued partnership we feel certain we can more effectively serve the educational needs of this Nation.

We thank you, Mr. Chairman, and the Members of your Subcommittee for the opportunity to present our views today. We will be happy to respond to any questions you may have at this time.

SPECIFIC RECOMMENDATIONS BY PROGRAM

ATTACHMENT TO

TESTIMONY OF

THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

U.S. HOUSE OF REPRESENTATIVES

JUNE 21, 1977

NATIONAL DIRECT STUDENT LOAN PROGRAM

This program of loans to students was the first of the major, modern day student aid programs enacted by the Congress. It has also been one of the most successful. It is our position that this program should be maintained for the present time, and that Federal capital contributions should be continued. While it is true that some institutions are no longer requesting additional Federal capital contributions, there are many other institutions which still do not have sufficient capital to make this a self-sustaining revolving loan program.

While there has been a lot of discussion regarding the possible consolidation of the student loan programs, it is essential that we have in this country a strong loan program which will enable students to borrow from the time they enter their postsecondary education experience until the time they complete it, including graduate education. The amounts and limitations on this borrowing may differ depending on the student's particular career goals. However, the need to have available capital for all students, regardless of academic status, place of residence, ethnic background, or family income, is essential. If student loan programs are to be effective as a means of helping students obtain access to postsecondary education and providing choice regarding the type of institution they wish to attend, then this concept must be guaranteed for all students in all states.

There are several specific changes, however, which should be incorporated into the National Direct Student Loan program to make it more efficient. We would suggest, as we have previously testified, that consideration be given to eliminating all of the cancellation provisions in this program. Those cancellation provisions, while effective as an initiative at the time they were enacted, have outlived their usefulness in the past few years. There is little evidence to suggest that students are more likely to enroll in a specific academic program or to teach within a certain shortage area because of cancellation provisions. Cancellation provisions have also created confusion in terms of whether or not the interest and principal which is cancelled is to be treated as taxable income. If cancellations provisions were eliminated, this confusion regarding the taxability of such cancellations would also be eliminated.

Another provision which needs to be initiated immediately within the National Direct Student Loan program is the provision in the Higher Education Amendments of 1972 which permits institutions, after following due diligence procedures for two years, to write-off uncollectable loans. To date the Office of Education has not initiated this procedure and, consequently, institutions are being penalized by being forced to keep such loans on their books. Needless to say, it is standard practice in the commercial lending industry to write-off such uncollectable debts and it is time that similar practices, which were wisely introduced by the Congress, be put into effect by the Office of Education. To further complicate the institution's ability to collect these loans, the Internal Revenue Service has now abolished its skip-tracing service due to conflicts with the Privacy Act, thereby making it impossible for institutions to use the I.R.S. to obtain the current address of a delinquent borrower. The irony is that, if these delinquent accounts were turned over to the Office of Education for collection, the Office of Education could use the I.R.S. skip-tracing procedure to obtain a current address on such delinquent borrowers. This would, in many cases, enable the party attempting to do the collection to re-contact the student, and thereby attempt to re-negotiate the terms of repayment.

Another change that needs to be made in all of the loan programs, including the National Direct Student Loan program, the Guaranteed Student Loan program, as well as the Nursing and Health Professions Student Loan programs, is the standardization of the due diligence procedures which must be followed under each of these programs. At the present time, there are significant differences in the due diligence procedures for each program which tend to create confusion and add additional administrative burdens to the overall collection process for all student loans. There are known and recognized standards within the collection industry which could be incorporated under the due diligence procedures for these loan programs which would be more efficient and more expedient to ensure collection of past-due student loan accounts. We would strongly suggest that the Office of Education work with representatives of the collection industries and the postsecondary education community to standardize and develop a comprehensive set of due diligence procedures for all programs.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

The primary purpose of the Basic Educational Opportunity Grant program is to provide a floor upon which other financial aid is built. As such, the program objectives coincide with the goal of providing basic access to postsecondary education. To ensure that this goal is achieved, it is necessary to fully fund the program at the levels authorized. Congress has provided full-funding for this program since 1975, and we strongly urge that this posture be maintained in FY-78 to fund the program at the $1800 maximum level authorized in the Higher Education Amendments of 1976. If full funding of this program is sustained from year to year, students can continue to rely upon the Basic Grant as the foundation upon which other forms of student assistance are based.

We would suggest, however, that there are other fundamental improvements to be made to the Basic Grant program. One of the changes which we have previously recommended is that the term "actual" cost of attendance be modified to "average" cost of attendance. While it is clear what the intent of the term "actual" cost of attendance was at the time the program was initiated, variations of this particular definition have created serious administrative nightmares for institutions which are forced to make repeated changes and are delayed in making initial disbursements to students. Many large institutions frequently have 25-40 differing room and board rates for students on their campus, in addition to tuition and fee charges assessed on a credit hour basis. These variations make it impossible for the institution to determine the students' "actual" cost of attendance until several weeks have passed. This procedure causes unnecessary delay and administrative burden in disbursing funds to students. Perhaps even more important is the student's continued uncertainty regarding his or her total award. Since "average" cost of attendance is used with all other student assistance programs it is logical that the same recognized practice be incorporated into the Basic Grant program.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT

The Supplemental Educational Opportunity Grant program continues to be an important component in the total Federal student aid package. It provides the necessary grant assistance for many low and middle-income students wishing to attend the educational institution of their choice. Likewise, it is an important program for students who, in the opinion of the institution, would be overburdened if required to accumulate loan indebtedness and who may not be able to work the additional hours necessary to earn sufficient dollars to pay for all their educational costs. There are, however, two specific changes which should be considered to improve this program.

We have previously testified before this Subcommittee that the distinction between initial and continuing year awards in the Supplemental Educational Opportunity Grant program should be eliminated. This provision is unnecessary given the current use of the program, and only causes confusion and additional administrative burdens, both for institutions and for the Office of Education. We would hope in the future Congress would consider changing this provision in the law to eliminate this distinction. We would further suggest that the SEOG program could more efficiently meet the needs of students if the half-cost factor was removed. The current regulation indicates that "a student shall be considered in exceptional financial need if his expected family contribution does not exceed 50% of his cost of education at the institution in which he is enrolled." This particular regulation has, at certain institutions, caused an unnecessary restriction of funds, where actual dollars could have been used to assist low- and middle-income students truly in need of this grant aid.

COLLEGE WORK-STUDY PROGRAM

We have previously testified that there is almost unanimous consensus among the financial aid community that the College Work-Study program is already one of the best programs provided by the Federal government. This program should definitely be expanded and authorizations increased.

There is one area of concern with this program that needs to be addressed, however, which involves the interpretation of the over-award provisions which were included in the Higher Education Amendments of 1976. The $200 over-award and the student's ability to continue to work either on or off-campus is indeed a confusing and complex issue which, when coupled with the regular $100 over-award provisions in the other campus-based programs, creates an administrative burden for institutions. While the record makes it clear what the intent of Congress was, the interpretation given to the statute by the Office of Education's legal advisors is quite contrary, in our opinion, to that intent. We would hope that this could be corrected in the near future to make the program more responsive to the needs of all students.

STATEMENT OF MILDRED McAULEY, PRESIDENT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, GROSSMONT COLLEGE, EL CAJON, CALIF., ACCOMPANIED BY JOE McCORMICK, DIRECTOR OF FINANCIAL AID, MISSISSIPPI STATE UNIVERSITY, STARKVILLE, MISS.; THOMAS BUTTS, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF MICHIGAN, ANN ARBOR, MICH.; DALLAS MARTIN, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, WASHINGTON, D.C.

Ms. McAULEY. I am Mildred McAuley, president of the National Association of Student Financial Aid Administrators and the Financial Aid Officer at Grossmont College in El Cajon, Calif. I am accompanied by Mr. Joe McCormick, president-elect of NASFAA, who is director of Financial Aid at Mississippi State University, Mr. Thomas Butts, who will succeed Mr. McCormick as president of NASFAA, and who is director of Financial Aid at the University of Michigan, and Dr. Dallas Martin, executive secretary of NASFAA.

Mrs. Eunice Edwards of Fisk University, who is the director of governmental relations of NASFAA, is unable to be here today.

We appreciate the opportunity to appear before you today to comment on student assistance programs as they exist today and how they might be improved in the future. I would also like to say, having attended the House-Senate Conference of the Education Amendments of 1976, we would like to convey our very deep appreciation to you and the members of your staff for your dedication and your sensitivity to the issues, and your grasp of the complexity of the student aid programs, which was very apparent in the deliberations. It was very impressive to see how this particular committee worked and the real dedication of the members and the staff.

In previous testimony, representatives of NASFAA outlined in considerable detail modifications which we feel are appropriate to make the existing programs more workable. In so doing, we have operated on the premises that the Congress has wisely fashioned essentially sound programs. Consequently, our previous proposals have been along the lines of technical improvements. The evidence will show, we believe, that the current programs of student assistance are doing a good job of providing aid to worthy and needy students. A very strong case can be made that these programs should be allowed to further develop.

We are also encouraged that recent action taken by the Department of HEW and the Office of Education will help to further improve the effective delivery and coordination of the Federal student financial aid programs. The recent announcement by Commissioner Boyer to proceed with the multiple data entry system for the basic grants program puts into effect one of the primary recommendations of the Keppel task force, which was to develop a single student financial aid application form that could be completed by students and parents to apply for all forms of student aid. We truly feel this will greatly help to simplify the application procedure for thousands of parents and students across this country.

Further, the announcement by Secretary Califano of his intentions to establish a single Bureau of Student Financial Assistance is an important step in developing better management and simplification of most Federal student assistance programs. However, despite these positive steps, we are concerned that the new administration has not gone far enough and still fails to recognize some other steps which are essential to improve the whole Federal student aid process.

For example, in spite of the establishment of a single Bureau of Student Financial Assistance, it is interesting to note that the Department of HEW has not yet consolidated all of the student assistance programs under its control. The health professions and nursing programs, which are currently operated by the Bureau of Health Manpower, which reports to HEW, have not been included under the new Bureau of Student Financial Assistance as announced by Secretary Califano. If we are to eliminate program duplication, provide consistency of operations, and ease administrative burdens, it is essential that steps be taken to incorporate all forms of student financial assistance into a single bureau. While we commend the Secretary for his initiative, we hope that he will seriously consider incorporation of these other programs in the near future.

We are also concerned that the new administration has too readily adopted the posture of previous administrations that the existing structure of Federal student aid can be simplified by abolishing one of the major programs, the national direct student loan program. The justification that the guaranteed student loan program would be adequate to meet the needs of all students is unfounded and is further refuted by statistics generated by the Office of Education. Their own figures show the volume of loans in the guaranteed student loan program has declined by 7 percent in fiscal year 1976 from the previous year.

Current loan volume figures continue to show declines and minimal lender participation in several States. Further, in an Office of Education study of over 70 percent of current participating lenders, it was shown that these lenders have no expectation of increasing their participation in the future. There is also data to show that, within the Office of Education, more students are currently being served by the national direct student loan program than are being served by the guaranteed student loan program, and that over half of the NDSL funds are currently going to families with incomes in excess of $9,000 per year. This indication clearly shows that the NDSL program is serving the middle-income sector which has been so hard pressed to meet rising college costs in the past few years.

There is also strong evidence to show that students who are enrolled in traditionally black colleges are particularly dependent upon NDSL funds and that over one-third of the freshmen students at these institutions are currently recipients of such funds. Further, this program is also being used substantially as a means of helping graduate students finance their education now that many categorical Federal fellowships are no longer widely available. While we can appreciate the administration's desire to consolidate existing programs, we would suggest that it would be unwise to do so until we have assurances that the distinct populations currently served by each program will be provided assistance through other means.

To understand the differences in these populations, it may be appropriate to examine some statistics recently compiled by the American Council on Education's Policy Analysis Service to show to whom the student aid programs are being directed.

In academic year 1976–77, the Office of Education, through grants, direct loans, and work-study programs assisted 1.9 million students in colleges and universities. Of these, 1.4 million students received a Basic Educational Opportunity Grant alone or in combination with other aid, and another 500,000 students received assistance from only campus-based programs (Supplemental Educational Opportunity Grants, National Direct Student Loans and/or work-study). An additional 600,000 students received a Federal insured/guaranteed student loan.

The Office of Education's need-based student aid programs serve a wide clientele, from low- through middle-income students. While the campus-based programs provide supplemental aid for many BEOG recipients, they assist another large group of students above the BEOG family income level, with the largest proportion of that assistance being self-help (loans or work-study). Three-fourths of the 1976–77 freshmen who received Office of Education need-based aid received a BEOG, or a BEOG plus one or more of the three campus-based programs. The median family income for these students was $9,656. In contrast, the remaining 25 percent of OE-aided freshmen received awards only from the campus-based programs, and had median family incomes of $15,658.

The diversity of these student aid recipient populations is further identified in the Budget Issue Paper, entitled "Postsecondary Education: The Current Federal Role and Alternative Approaches," which was published in February of 1977 by the Congressional Budget Office. This report stated, "not all student assistance programs target their funds similarly, and, as a result, they have differential effects on student access and choice." This same report goes on to point out that, "opportunities for postsecondary education remain substantially unequal among students from families with different incomes. Lower income students are less likely to enroll in higher priced schools and less likely to complete their postsecondary educations." Federal student assistance programs have shown that they can help to correct these inequities and that they do serve distinct and varied populations.

For these reasons, our association has always favored a balanced Federal assistance program comprised of the basic grant, the campus-based programs, SSIG funds, and the guaranteed loan program.

However, there are also other Federal educational benefit programs which have a substantial impact upon many students' ability to finance a postsecondary education. Two of these major student benefit programs are the Veterans' Administration and the Social Security Administration. The VA will, in 1977–78, pay $3.7 billion in educational benefits to veterans enrolled in postsecondary institutions. In addition, in 1977–78, the Social Security Administration will pay $1.2 billion in educational benefits.

In spite of the interdependence of these programs with the existing U.S. Office of Education programs, there has been almost no consideration given to the impact on students enrolled in postsecondary institutions if these programs were eliminated or reduced. Therefore, we appreciate the fact that the members of this subcommittee are taking the initiative in these oversight hearings to examine all student educational benefits and to begin to develop a coordinated Federal strategy for student assistance.

We would further suggest that, in developing this coordinated strategy, caution be exercised to carefully review the true interrelationships between all of these programs and the student populations which they serve. With careful articulation and adequate funding, the current package of Federal student assistance programs can insure both educational access and choice to low- and middle-income students alike.

In addition to these needs there are, however, some other areas of concern to our members and specific problems in student aid which we would like to bring to your attention today, and which you may wish to consider during your oversight hearings.

I. The Office of Education's regulatory development process—On many occasions in the past, regulations within the Office of Education have been created almost in a vacuum, void of any outside consultation or involvement. Recently, however, the Office of Education has modified its posture in this area and has again begun to turn to the outside community for help in drafting proposed regulations.

We commend the Office of Education for this change, but are still concerned that the total process is cumbersome, time consuming, and highly inefficient. In oversight hearings before this subcommittee last year, Chairman O'Hara questioned representatives from the Office of Education and HEW regarding the Office of Education's past attempts to legislate by regulation, and their inability to deliver regulations on a timely basis. At that time, assurances were given to him and the members of the subcommittee that the Office of Education would be able to meet the statutory requirement of having all regulations for the Higher Education Amendments of 1976 completed and published in proposed form by June 9 of this year.

To date, this has not occurred. Only a very small portion of the total regulations related to the Higher Education Amendments of 1976 have been published in the Federal Register for public comment.

Perhaps more distressing is the fact that these unnecessary delays seem to be occurring at the Department levels. Normally, a packet of proposed regulations should be able to go through the departmental process within 30 days after leaving the Office of Education. At the present time, there are several packages of regulations that have been sent to the Department for final clearance and have yet to be released, in spite of the fact that they have been available for final review for more than 70 days. This is of serious concern to our members, particularly in light of the fact that several of the proposed regulations are essential to the implementation of administrative procedures for the coming academic year which, as you know, begins in almost 2 weeks. Needed programs are being unnecessarily delayed until these regulations are finalized.

To cite just one example, the job location and development program provisions, which were enacted in the Higher Education Amendments of 1976 cannot be put into effect until the institution has the opportunity to sign terms of agreement with the Commissioner of Education. Needless to say, before institutions can sign such terms of agreement, it will be necessary to have regulations available so that institutions will know their responsibilities under this program. The current delay in publishing proposed regulations for this area will force most institutions to defer the establishment of a job location and development program on their campuses until the winter or spring of 1978.

This inactivity will undoubtedly prevent many students from being placed in viable employment positions for this fall and will actually preclude needy students from attending school.

II. Program integrity—In recent months, there has been a great deal of discussion and emphasis on the integrity of Federal student aid programs and implied abuses. All of us are aware of those few cases where serious misuse of public funds has occurred. Our association recognizes that these with the Congress and the Office of Education in eliminating such situations.

Our association would also like to commend the hard work of this subcommittee and the full committee in providing legislative initiatives in the Higher Education Amendments of 1976 to assist institutions to curb student fraud and abuse. Likewise, we are very appreciative of the authorizing language which would provide more adequate administrative allowances to institutions. These actions on your part have helped to answer some of our previous concerns. However, we are equally concerned with the preventive approaches being proposed within part of the Department of Health, Education, and Welfare. To truly understand the area of fraud and abuse, one must carefully examine the facts:

With the exception of a few isolated cases, most fraud and abuse is unintentional.

Many audit exceptions which are currently being identified are the result of the lack of clear program guidelines and updated program administrative manuals. The last manual to be published for the campus-based programs was in late 1970. Since then, many have been operating without manuals. So, to say there is fraud and abuse when there are not guidelines to operate these programs from is not quite right.

Inconsistency in program interpretations by the Office of Education personnel creates confusion and misunderstanding within the higher education community.

Institutional failure to provide adequate staffing and support services to correctly administer student aid funds creates an environment which may lead to mismanagement of public funds.

In addition to these factors, if post-secondary educational institutions are to be held accountable for the custodianship of public funds then, so too must the Office of Education. In our opinion, it is totally inexcusable to have final regulations governing the Higher Education Amendments of 1972 issued in the Federal Register 1 month after the authorizing legislation has expired and 4 years after its enactment. We also would suggest that, if the Office of Education is interested in eliminating fraud and abuse, it will not be achieved by overregulation of postsecondary institutions. The current complexity of student aid programs, coupled with inconsistent and, at times, conflicting regulations, only adds to the inefficient management of Federal student aid programs.

A more positive way to address the problem would be to embark on a proactive posture which would insure:

(1) Timely issuance of Federal regulations;

(2) Development and regular updating of comprehensive program manuals;

(3) Funding for comprehensive financial aid training programs;

(4) Initiation of inservice training programs for Office of Education personnel, who, in all likelihood, have had limited or no on-campus administrative experience and those in an ivory tower when they try to promulgate regulations and manuals;

(5) Regular institutional program reviews;

(6) Development of varied institutional compliance penalties which are appropriate for the severity of the infractions; and

(7) Working cooperatively with the recognized professional associations to confront and eliminate all forms of program abuse.

III. Tripartite application/panel review process—Several weeks ago Commissioner Boyer announced that the process by which institutions apply for Federal campus-based funds for the coming year will be simplified and improved. In light of previous experience, we commend his initiative and hope this effort will provide greater equity in distributing Federal dollars to all postsecondary institutions.

There was a great deal of confusion during this past year regarding the campus-based tripartite application and panel review process throughout the 10 regional Offices of Education. The confusion was primarily one of communication and interpretation, but one which created ill will and distrust between individual financial aid administrators and the Office of Education personnel. The major problem which occurred during the application review stemmed from inconsistencies in applying the evaluative criteria to individual institutional applications.

In order to evaluate the institution's use of campus-based funds, the Office of Education initiated a rigid formula to evaluate each institution's tripartite application. Unfortunately, the actual criteria was not applied uniformly in each region which, in turn, created confusion and significant variations in the final funding recommendations. Some of the regional offices were very lenient in their interpretations of the formula, while other regional offices used the criteria as a hard and fast rule. This inconsistency from region to region caused an unusual number of institutions to appeal their recommended awards.

Further, not only was there inconsistency in panel review practices between regions, but also in the subpanels within regions. For example, within the seven subpanels of one particular region, the percentage of the total application requests which were approved varied widely from a high of 73 percent to a low of 35 percent. These differences between subpanels resulted in significant shifts of funding in that region. We strongly feel that this type of inconsistency must be eliminated between regional Offices of Education in the future and that institutions must be treated more equitably than they have been in the past.

IV. Revisions to the State allotment formula—For the past 4 or 5 years there has been a great deal of concern expressed about the three allocation formulas which are used to establish the apportionment and allocation of funds to individual States for the campus-based programs. There is little doubt that the current formulas are producing inconsistent results from State to State. Existing criteria totally ignore the number of students who are enrolled on a half-time basis in postsecondary institutions within a State.

Even though the Higher Education Amendments of 1972 stated this category of students eligible for all student aid programs, they are currently not included in the allocation formulas. Further, the existing formulas should only include the enrollments from those postsecondary institutions actually participating in the campus-based programs, not those from nonparticipating institutions. Any process to modify the existing State formulas needs to be studied carefully to insure that the distribution of Federal dollars is consistent with the intent of the Congress, and that funds are distributed equitably on a State-by-State basis.

V. Need for institutional discretion in administering student aid programs—During the past few years the cumulative effect of overregulation by Federal agencies upon postsecondary institutions has seriously hampered the institution's ability to effectively administer many of the student aid programs. Uncertain and delayed funding patterns, coupled with restrictive program regulations and burdensome reporting procedures, have created an intolerable situation. Reports filed by the Federal Paperwork Commission and other committees reviewing Federal compliance standards have clearly indicated the need for consolidation and reduction of reporting requirements.

Inflexible program regulations issued by the Office of Education also restrict an institution's ability to use Federal funds to meet the program objectives outlined by the Congress. To illustrate this point, current dollar restrictions on student summer work-study savings and mandated institutional monitoring of all student employment do little to meet the objectives of the program. In effect, these regulations more often inhibit consideration of individual student needs. The elimination of these types of regulations would certainly be a greater incentive for institutions to expand existing programs to more effectively use Federal dollars.

Further, earlier and more timely announcements by the Office of Education regarding reallocation of available funds would greatly assist institutions in utilizing Federal funds to meet the needs of deserving students. We would also suggest that, in developing future statutes, consideration be given to allowing institutions to borrow or carry over a small percentage of their student aid funds from one fiscal year to the next. We feel this type of controlled institutional discretion would greatly enhance the aid administrators' ability to meet the needs of students and to facilitate smooth operation of all programs.

Mr. FORD. If I can interrupt you there, we have a few minutes to make this rollcall. You are ready for the summary and conclusion. That would be a good place to pick up when we get back.

[A brief recess was taken.]

Mr. FORD. Thank you very much, you may proceed.

Ms. MCAULEY. Summary and conclusion—In addition to the suggestions we have already made, we have attached to this testimony several specific recommendations for each of the individual student assistance programs which we feel should be considered by this subcommittee. The majority of these recommendations are more technical in nature, but would definitely help improve the overall management and effectiveness of the title IV student assistance programs.

In concluding our comments today, we would encourage this subcommittee to urge the appropriate Federal agencies to work cooperatively to resolve these types of complex problems. The work which was done by the Keppel task force in developing the uniform methodology for determining students' and parents' ability to pay for college costs, and the work of the Coalition for the Coordination of Student Financial Aid in developing the multiple data entry system for basic grants, are good examples of how the higher education community, private industry, and the Federal and State governments can work together in achieving desired objectives. Through this type of continued partnership we feel certain we can more effectively serve the educational needs of this Nation.

We thank you, Mr. Chairman, and the members of your subcommittee for the opportunity to present our views today. We will be happy to respond to any questions you may have at this time.

Mr. Ford. Thank you very much. We were pleased that, when the Commissioner was before us, he gave Tom Butts much of the credit for the consolidated form. It seems like such a reasonable, rational thing, one wonders why we are doing it in 1977 and not in 1967, but I guess it takes a certain mind set in a bureaucracy to decide that you want to do something before you discover that it can be done.

You made specific reference in your testimony to the delay, and to the way in which the Office of Education is promulgating regulations pursuant to the requirements of the Higher Education Act of 1976. Would you like to make comments on the specific concerns you have with the regulations that have been published, those on April 8, which were NDSL, College Work Study, SEOG, and BEOG.

Mr. Martin. It is a little early to say because we have only had the April 8 regulations out for a short time. As you know, OE has received a lot of public comments and is in the process of revising those. We are anxious to see what changes will be imposed as a result of the testimony they have received.

One area I think that gets to the heart of the matter is the way the Office of Education details the use of refund policies in the Federal Register. They went into an elaborate kind of scheme and detailed the type of formula for institutions to follow in dealing with regulations. We would suggest that this is totally unnecessary. Many institutions have well-established policies that provide adequate insurance that Federal moneys are being taken care of. Some of those are even stricter than those being imposed. To come up with this type of regulation for refund policies and to impose it on every type of institution seems to be overregulation and a lack of understanding of the complexities of higher education in general.

There are some positive things that they have been doing in the regulations. For example, in defining normal progress, OE has kept a hands off posture. But then they turn around with a refund policy that tries to create a minibureaucracy on campus with a lot of compliances—

Mr. **Ford**. You are saying they are attempting to impose specific criteria on the basis for refunds rather than simply informing the students of what their policy is?

Mr. **Martin**. That is correct. They have, in my opinion, gone so far as to suggest what are the institutional responsibilities and they are asking institutions in some situations to provide assurances of getting the dollars back in funds that are really out of the control of the institution. Part of the dollars are being used by students to help meet additional education costs such as room and board, and institutions are held accountable for those individual students expenditures.

This seems to be an unnecessary burden on the institution, and is really the individual student's responsibility.

Institutions have provided safeguards to insure these students are monitored when they re-enroll but we certainly don't have the means to enforce OE's required refund policy and I don't think that is really a proper role for higher education officials of postsecondary institutions.

Mr. **Ford**. Just glancing at the proposed rule, subparagraph 3, it appears that the very nature of the language, without regard to the actual effect and to whether it is a reasonable limitation, is in violation of what we intended. It should be noted here in the record that page 201 of the report on the part of the managers of the Conference of the Higher Education Amendments of 1976 reads as follows:

> The managers did not accept a House provision which would have given to the Commissioner considerable authority to set criteria for fair and equitable refund policies. The Conference substitute requires institutions to publish information about their refund policies. The managers state that they do not intend this new requirement to be used to justify Federal regulations specifying the exact criteria institutional refund policies must meet.

We sometimes naively suppose that people read the reports that accompany the legislation and instead of trying to write the perfect legislative language, we sometime rely on the fact if they read the report they know what is intended.

This very clear legislative history indicates that we didn't end up in that conference with the position that contemplated that the Office of Education would try to determine what is and what is not a fair and reasonable refund policy.

It was really sort of a consumer approach of whatever your policy, it has to be well publicized. So that the student could take it into account when making an initial decision about attending the institution.

Ms. **McAuley**. One of the problems with the refund policy, as addressed in section 176(g)(14) of the proposed rules, published on page 8, is that it does not address refunds with regard to tuition. They talk about refunds for room and board and transportation. This portion, which is a little over a column, defines what the phrase in the education amendments was which simply stated, "does not owe a refund on grant." OE then takes a column in very small print to define what is meant by it.

Among other things, they indicate if a student withdraws or is terminated by an institution, when the institution has scheduled the start of classes and the midpoint of the payment period, then the institution is to determine the total number of days within the payment period and divide that number in half to determine the number of days to the midpoint of that payment period, subtract the number of days the student was enrolled during the period if the number of days making up the midpoint, divide the remainder obtained in paragraph G-32 of this section by the number of days to the midpoint of the payment period, multiply the amount disbursed by the student as determined in paragraph (g)(1) in this section by ratio in paragraph (g)(33) in this section—ad infinitum.

Mr. FORD. If you can find the person who wrote that, their skills are being wasted at HEW. They need them over at IRS to complicate the instructions for taxpayers on how to prepare their tax returns.

Mr. MARTIN. It seems, and we agree with you, that the intent of the law, was clear and simply a statement that an institution must establish a reasonable cost refund policy, taking into consideration such things as the time the student has been enrolled and what reasonable cost of attendance would be incurred.

Institutions can deal with this and make good decisions for students rather than following at this time the rigid format that has been imposed.

Ms. MCAULEY. If it would be appropriate, we would be happy to enter into the record our response to the proposed rules of April 8, which was sent to Mr. John Proffitt.

Mr. FORD. We would like to have it. Without objection, it will be inserted in the record at this point.

[The above referred to information follows:]

NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

CENTRAL OFFICE AND PLACEMENT SERVICE
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May 20, 1977

Mr. John Proffitt
Director, Division of Eligibility and Agency Evaluation
Room 3030, ROB 3
7th and D Streets, S.W.
Washington, D.C. 20202

Dear Mr. Proffitt:

The following comments are submitted to you (by the National Association of Student Financial Aid Administrators) in response to the Notice of Proposed Rulemaking published in the Federal Register on April 8, 1977. Before commenting specifically on the proposed rules, we wish to make some general observations.

The Carter Administration has stated repeatedly its concern about simplifying the entire regulatory process. Proposed rules were to be written in clear language understandable by all. Over-regulation would be stopped. There are several parts of the proposed regulations which, in our opinion, do not meet these objectives. These will be identified in our comments.

It is not uncommon for the Commissioner to receive numerous comments desiring more specific and detailed regulations. It is not the purpose of regulations to cover every conceivable situation, but rather to specify what the law requires. Too often, regulations are issued to cover all situations and, as a result, generally end in what most people consider over-regulation. We oppose the writing of regulations in this manner.

At the same time, there is a clear need by many institutions for manuals which explain, in laymen's language, how the programs are to be administered. Where a regulation permits flexibility, it would be appropriate to identify several possible examples for an institution. The publication and continued updating of such manuals would go a long way towards improving the administration of student aid programs. We wish to commend USOE for beginning to develop a Student Financial Aid Handbook covering not only the Basic Grant Program, but also College Work-Study, Supplemental Educational Opportunity Grant and National Direct Student Loan programs. This effort, however, does not fulfill the need for comprehensive program manuals. We encourage the Commissioner to act on a proposal submitted by NASFAA and others to write and publish these program manuals.

Following are our specific comments on the proposed regulations. They are given in the order that the regulations were published.

SECTION 132 OF EDUCATION AMENDMENTS OF 1976

144.15(a) Disbursement of Funds

The proposed regulations would require "equal installments in each semester, trimester, or quarter if the institution uses such academic periods." The intent of this regulation is to disburse the money to students in installments, rather than in a single installment at the beginning of an academic year. We support the intent of this section. However, there are many situations which make it impossible to disburse funds to students in equal installments. For example, a student's financial situation may change significantly late in the first term or during the second term causing an adjustment to be made in the student's aid package. The letter of the regulation would prohibit an institution from increasing the student's award for the second term because it cannot do so by disbursing it in equal installments. Another example is the student who receives significant amounts of other assistance in one term, but not in the next. In such cases an institution should be permitted to disburse funds from one or more of the Federal programs in such a way that the total amount of assistance disbursed to a student in any one term remains approximately equal.

It is suggested that this section be rewritten to specify the intent of the regulation, but that institutions be granted flexibility to disburse funds in unequal installments where the situation warrants such exceptions.

144.15(c) 1, 175.9(g) 1, 176.17(c) 1, 190.75(f) 1 Satisfactory Progress

We wish to strongly endorse the manner in which USOE has defined satisfactory progress. Each institution has its own unique characteristics which would make the setting of a standard definition for all institutions an impossibility. Furthermore, since the law specifies that the provision is to be carried out according to the "standards and practices of the institution", it would be inappropriate for the Office of Education to suggest a standard definition.

We wish to point out that several of the programs specify other academic criteria. For example, in the College Work-Study Program, current regulations require that a student "shows evidence of academic or creative promise and is capable, in the opinion of the institution, of maintaining good standing in such course of study while employed under this program." Good standing has traditionally been defined by the Office of Education to mean enrollment at an institution. We call your attention to the inter-relationship between satisfactory progress and good standing. We would suggest that an institution which is in compliance with the satisfactory progress definition is ipso facto in compliance with the good standing provisions. While it may not be possible to specify this in the regulations themselves, the preamble to the regulations, as well as information provided in handbooks and manuals, should clearly spell-out this possibility.

144.15(d), 175.9(h), 176.17(d), 190.75(g) Exceptions to Satisfactory Progress Policy

We urge the deletion of this entire paragraph for the following reasons:

1) Satisfactory progress is defined in the law and is to be determined "according to the standards and practices of the institution." Even though this is a statutory requirement, this section would supersede the statutory definition. It is a questionable practice to define a term (satisfactory progress) in one part of a regulation and in another part, disregard that definition. It does not appear necessary to go beyond the definition of satisfactory progress already given.

2) The first part of this section would seem to permit institutions to make exceptions to their satisfactory progress requirements. Any institution which establishes a policy for satisfactory progress, which is required under these regulations, will build into that policy appropriate exceptions. It seems inappropriate for the Office of Education to be telling an institution what its exceptions to a policy may be when in the first place, it is up to the institution to define satisfactory progress according to the standards and practices of that institution.

3) The second part of this section further attempts to elaborate on the definition by restricting any adjustments on a student's aid package in a subsequent semester. Need analysis cannot be looked at solely in the terms of a single semester, quarter, or other enrollment period. It is the institution's responsibility to determine a student's need for funds during any enrollment period. We, therefore, suggest that the latter part of this section is unnecessary and further restricts the institution's responsibility under the definition already given for satisfactory progress.

For the reasons cited above and the added confusion this paragraph would cause, we urge its entire deletion.

144.15(e), 175.9(i), 176.17(e), 190.75(h) Refunds

Like 144.15(d), etc., this entire section appears to be unnecessary. An attempt is made to define in excessive detail what exceptions may be made by an institution if a student owes a refund on a grant for attendance at that institution. We would suggest that the intent of this section can be accomplished by adding a simple sentence to Section 144.15(c) 3, etc., as follows: "If an otherwise eligible student owes such a refund, but is able to make satisfactory arrangements with the institution to eliminate the over-payment, the student may continue to receive funds under these programs." This clause will, without unduly restricting an institution's flexibility to be able to handle such situations, meet the intent of the section as written and yet not put excessive detail and requirements into the regulations.

We are aware that the definition of satisfactory progress and the refund sections as identified above also apply, by law, to the State Student Incentive Grant and Guaranteed Student Loan programs. We encourage the Commissioner to include identical regulations in those programs once the final regulations are determined.

In light of the refund provisions, it would now appear possible for an institution to be able to collect over-payments from one year in a subsequent fiscal year. For example, let us say a student has received an over-payment and is billed for that over-payment in May of 1977. The student makes arrangements with the institution to meet that over-payment in July of 1977. Since the institution must close its books on June 30 and report those expenditures on its fiscal operations report, how is the institution to report the collection of the over-payment in the subsequent year? Will the fiscal operations report be revised to permit institutions to show this additional income in the subsequent year? May an institution expend those credits in a subsequent year for additional awards?

176.14(e) Administrative Responsibility

This section defines the institution's responsibility to insure that Federal student aid dollars are only used to meet a student's financial need. It specifies that the amount of any net earnings from employment provided by an institution shall be deemed to have been known by the institution at the time of disbursement of any grant. We are concerned about the use of the term "academic year" in this paragraph. An example will help to illustrate the particular problem encountered by institutions. A student's need is determined for a full academic year. The institution has taken into consideration part-time earnings of the student in meeting the student's need. A student receives an SEOG award in the fall term based on that determination. Late in the fall semester, the student receives an assistantship from the institution for the next term. The student could not in any way anticipate receiving that assistantship and the institution could not have anticipated awarding it to the student. As a result, the student's earnings from the assistantship during the second term may be more than sufficient to meet that student's demonstrated need during that term and an institution would, therefore, be liable to bill a student for a grant disbursed in the fall term. We would suggest that where such a situation exists, the student should not be required to repay the SEOG award during the fall term, but that only subsequent disbursements should be denied that student. In order to accomplish this, we would suggest a rewording of the last sentence of this section to read as follows: "The amount of net earnings from any employment provided by the institution for any academic year, special session, or other enrollment period covered by the Supplemental Educational Opportunity Grant award shall be deemed to have been known by the institution at the time of disbursement of such grant."

176.14(f) Over-award Provision

This section discriminates between a student who is employed in a single job on campus, such as Work-Study, and the student who obtains employment from more than one job. If the student only has a Work-Study job, NDSL and/or SEOG award, then the institution would be in violation of the over-award provision if the student's aid exceeds his/her need by more than $100. On the other hand, if a student is employed under Work-Study and also has a second job, the over-award provision does not come into effect until the student's resources have exceeded his/her need by more than $200. The result is a dual standard depending upon whether a student is employed in one or two jobs. This provision adds considerable complexity to the administration of the programs, is discriminary towards a student employed in a single position, and increases an institution's work load. The $100 provision has been in effect for many years and since it was first implemented the cost of education has risen substantially. It would, therefore, seem appropriate that $200, as a percent of the student's cost of education today, is probably not much greater than $100 was when it was first implemented. For these reasons, NASFAA recommends the deletion of the $100 and inclusion of the $200 clause in all programs.

176.14(g) Calculation of Refunds

We are deeply distressed by the inclusion of this paragraph in the regulations. In our opinion, this section is totally unworkable and needs to be substantially altered for these reasons:

1) The formula is extremely complicated and would require a considerable amount of time to determine the proper refund for each student. The inclusion of such complicated mathematical formulas often leads to serious errors and numerous misinterpretations by both institutions and USOE personnel. Further, the formula is unfair in that it includes only a portion of the student's cost of his/her education. On what basis are only room, board and transportation allowances included when a student has other expenses related to his/her education?

2) The Office of Education must consider standard practices at institutions in setting any such policy. In doing so, it must recognize that many students do not follow the official withdrawal procedures of a university. These students merely cease attending classes, leave the institution, etc. The

regulation would only catch the "honest" student. If the student goes through the official withdrawal procedure, then the student would be subject to this provision. A student may be well advised to ignore the official withdrawal procedure in order to avoid owing such a refund.

3) The inclusion of this formula for determining refunds is excessive regulation of the institution. Institutions may already have existing policies in regard to students withdrawing during a particular term and the calculation of any monies deemed to be over-paid to the student. Some of these policies may even be more restrictive than what the Office of Education is proposing. Most of these institutions, however, recognize the uniqueness of many of these situations and work with an individual student to effect a reasonable repayment. To impose an arbitrary formula on all students who withdraw for whatever reason is arbitrary and excessive regulation.

4) In many cases of students withdrawing, the money may already be spent because of the particular circumstances involved. Educational programs vary considerably one from the other. Perhaps a student needed the money to pay for books and supplies which may make up a large portion of the cost. Perhaps a student needed the funds in order to deposit with a private landlord an entire semester's rent. Perhaps because of other circumstances, such as high medical bills incurred while the student was enrolled, the money is exhausted. Clearly an institution must have flexibility to be able to handle such situations.

In light of the above comments we would suggest this entire section be as follows:

> "The institution shall establish a reasonable policy for effecting repayment of any SEOG and/or BEOG funds disbursed directly to the student (not credited to a student's account). The institution's policy shall include consideration to the length of time enrolled and the reasonable cost of attendance incurred to the date of withdrawal."
>
> "Any institution of higher education which disburses funds to students on a monthly basis or more frequent intervals, shall be exempt from establishing such policy."

It should be made clear that the institution must have considerable flexibility in dealing with such situations. That flexibility must extend to the determination of the actual date of withdrawal, the granting of exceptions for extenuating circumstances, and the manner in which the over-payment is handled. It may be appropriate to bill a student for an over-payment because the student has the funds and they should be restored to the program. In other cases, a deduction of future aid may be the most appropriate action. We strongly believe that the institution, working with an individual student, is in the best position to determine the amount of refund and further, to which fund the grant should be restored.

PART 168 SUBPART: LIMITATION, SUSPENSION OR TERMINATION

We endorse the proposed rules on limitation, suspension and termination. These regulations permit USOE to take the necessary action to control institutional fraud and abuse. We trust that they will be administered in a spirit of cooperation and that an institution will be provided with a reasonable opportunity to correct errors prior to the initiation of any of these actions.

PART 178 STUDENT CONSUMER INFORMATIONAL SERVICES

178.2(b) Definition of Academic Year

Any regulations published should, to the extent permitted by law, have uniform

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definitions. It is difficult to explain a program or regulation to someone if a single term is defined in a manner where it has several meanings. Common definitions should be used throughout the regulations so that the terms need not be redefined in each section.

The definition of academic year given in 178.2(b) is different than the standard use of the term. The definition given is that of a "fiscal year". Therefore, it is recommended that "fiscal year" be defined as stated in 178.2(b) or, if "academic year" is used, it be defined in accordance with the normal use of the term.

178.2(f) Definition of Student Financial Aid Program

There appears to be a contradiction in the definition of a "student financial aid program". The first sentence provides a satisfactory definition. The second sentence, however, goes well beyond this definition. It now adds "all" programs to the definition whether or not the primary criterion is financial need. This sentence should be reworded as follows, "...or his family. The term includes those financial aid programs meeting the above conditions and which are authorized under Title IV of the Act, administered by the state in which the institution is located, major national programs offered by private sources, and any other programs of which a financial aid administrator at an institution should reasonably be aware."

We note that Section 493A(c) of the Act requires the Commissioner to make available descriptions of Federal student assistance programs. In addition, the Commissioner should provide institutions with an annual publication that provides a reasonable amount of information about all national or otherwise "well known" financial aid programs. Such a publication would assist the institution in keeping abreast of existing programs.

178.3(a) Preparation and Dissemination of Information

We strongly endorse the flexibility permitted an institution in the design and dissemination of information required under the Act. The clientele served by each institution varies significantly from one institution to another. What is effective for one institution may not be appropriate for another. In this manner, the Commissioner is, as he should be, encouraging institutions to be creative in the delivery of the required information.

178.3(b) Cost of Materials

This section requires an institution to provide the information to a student at no charge or at a charge which does not exceed the actual unreimbursed cost to the institution for its preparation of the publication. We recommend that Section 178.3(b) be deleted because:

1) It is excessive rulemaking. Nowhere in the Act is an institution prohibited from charging for such information. To do so by regulation goes beyond the law itself.

2) The dollars involved are insignificant compared to the overall costs of administering the programs. One must ask if it is worth the effort for an institution or the Federal Government to so closely monitor a relatively small expense item.

3) Where an institution charges for such publications, the information required under this Act may only be a small part of a publication.

178.4(b)(1) Criteria for Renewal of Awards

This subsection requires an institution to state the criteria for continued eligibility for each program "including the financial conditions which must be met." It is unclear as to what "financial conditions" are included. We have no problem with the statutory requirement of a student being in default on a previous loan or otherwise owe a refund. Perhaps that language should be substituted for "financial conditions". If "financial conditions" also means the actual need analysis, it would be impossible to provide this information.

178.4(f) Retention Data

In the comment section of the proposed regulations, the Commissioner acknowledges the difficulties of providing a single definition of retention rates for all types of institutions. He also indicates his concern that retention rates should enable students to make meaningful comparisons among institutions and that institutions have the ability to collect the data required. In our opinion, the proposed definition fails these very tests and is unacceptable. No meaningful conclusions could be drawn by a student comparing such data from different institutions.

Before a specific formula or formulas are promulgated as a regulation, we encourage the Commissioner to undertake a thorough study and review of the possible alternatives. The professional associations having an expertise in this area should be asked for their assistance and guidance. Since this study and review will probably take considerable time, we encourage the Commissioner to revise this subsection to require an institution to publish retention information about its students which is reasonable, available and would be beneficial to prospective and enrolled students. The Commissioner may want to suggest optional formulas to be used by an institution in the interim, but no specific formula should be required of all institutions.

178.4(h) Names of Persons to Provide Information

Use of names is unrealistic in that personnel may change during the course of a year. This is particularly true if peer counselors are used. As a result, publications would be outdated more rapidly. We recommend that institutions be able to identify such personnel either by name or title as it sees fit. This section should be revised to read, "The ~~names of~~ persons designated..."

178.8(a) Audits

This section requires that "all of an institution's transactions" of administrative cost allowances must be audited. While the audit function is important, we doubt the wisdom and cost of an audit which must examine each and every single transaction. We, therefore, recommend deleting the words, "All of an" and substituting, "The institution's transactions..."

STATE STUDENT FINANCIAL ASSISTANCE TRAINING PROGRAMS

178a.1(a) Purpose

The act specifies that these training programs are to be developed and conducted, "in consultation with statewide financial aid administrator organizations." NASFAA has strong feelings about the emphasis to be placed upon the involvement of financial aid administrators in the administration of the state's training program. Such emphasis should be part of regulations issued by the Commissioner of Education.

We wish to point out that in some states the agency given the responsibility for the training program may be relatively new, undeveloped, and inexperienced in the administration of student aid programs and training of aid officers; and the aid administrator organization in the state may have extensive experience in these areas. In other states the reverse may be true. We must point out further that the relationship between state agencies and aid officer organizations differs, both in quantity and in quality, from state to state.

We call attention to these differences not to be critical of either state SSIG agencies or state aid administrator organizations, but to underline the importance of a cooperative relationship in the administration of training programs for financial aid administrators. We feel that the need for this relationship is prescribed in the law and we ask that the relationship be detailed in the regulations by the addition of a new section after 178.3 to read as follows:

> "Participation of statewide financial aid administrator organizations-
>
> (a) Each state carrying out such a training program shall establish a committee which shall work with the state agency in developing and conducting the training program. At least one half of the members of the committee shall be practicing institutional financial aid administrators and shall be selected by the statewide financial aid organization. To the extent possible, the committee should be representative of the types of institutions served in that particular state.
>
> (b) The committee shall be actively involved in administration of the statewide training program. Their responsibilities shall include reviewing the state agency's application, and plans for designing materials and carrying out training programs."

The addition of the above section will insure that statewide training programs are being carried out with the active involvement of the statewide financial aid association and will also aid in insuring that they are coordinated with other training efforts of the state association.

178a.5 Training Program Components

As this section is written, each training program developed under this program would have to include certain prescribed training programs. If each state training program were to include all of the areas specified, it would have to be several weeks in length to give adequate attention to each required component. Furthermore, by specifying what is to be included in the training program, the Office of Education has predetermined what the needs are in a particular state. In such a fashion, it would seem that USOE is going well beyond the law in specifying what should be included in the training program. The law specifies that a determination shall be made of the strengths and weaknesses of current programs of training and that new programs should be developed to meet those weaknesses.

To eliminate this difficulty, we suggest that the introductory paragraph to this section be reworded to read as follows: "Each training program may provide any or all of the following based on the need assessment of the strengths and weaknesses within a given state:".

178a.9 Use of Funds

This subsection indicates that the funds may only be used to design and develop programs and not to carry out such programs. We are deeply distressed by this and would encourage the Commissioner to allow such funds to be used not only for the design and development of training programs, but for the actual carrying out of such training efforts.

It is imperative that such training programs be coordinated with other efforts being made by the Office of Education, other organizations, as well as the state association. It would be a considerable waste of funds if we were to duplicate all of what is already being done rather than concentrating on developing and implementing training programs to enhance the status of the profession. We strongly urge the Office of Education to revise the regulations to permit the use of funds for the implementation of training activities.

NASFAA appreciates this opportunity to comment on the proposed regulations. We would welcome the opportunity to discuss with you in more detail our concerns and ideas.

Sincerely,

Dallas Martin
Executive Secretary

DM/tf

Mr. Ford. With reference to fraud and abuse, I might note parenthetically at this point that in your statement you said something to this effect: we find that frequently fraud and abuse are unintentional. As a lawyer, I have difficulty with that. We wrestled with the Veterans' Administration the other day trying to convince them that fraud and abuse are words of art that connote an intent to obtain something improperly and illegally. It connotes some kind of intentional misstatement of the facts.

It is apparent now that the $1 billion figure of VA overpayments that were attributed last year and the rhetoric that flew around the 94th Congress about fraud and abuse, were in large part attributable to slippages. The VA takes credit for having recovered a great deal of this money "fraudulently" obtained by veterans.

In fact, since it wasn't in the first instance, fraudulently obtained, it was very readily recovered. In any program as complex as these programs become, it is apparent there are going to be differences in time that the form gets to someplace to cut off the money or to determine what the refund should be. When made aware of this, the average citizen, who under our Constitution is presumed to be innocent in our close observance of the law, would respond by paying back what you are telling him he should pay back because it was improperly calculated. What part of the abuses, in the nature of the things you are describing as fraud and abuse, would fit this more accurate definition?

How much of the money that we are losing would you guess is attributable to what appears to be an intentional act on the part of either someone at the institution or of the student involved to take advantage of the program improperly and therefore defraud the program of money? Is most of it in that category or only part of it?

Mr. Martin. It is difficult to say and I am not sure we have, or even the Office of Education has, any figures to document the extent, with the exception of a few cases, such as the west coast schools incidents, where the Federal investigators have actually gone in and proved intentional fraud and abuse and malfeasance of funds.

Most of the reports we are finding, and most of the institutions that are listed on the OE abuse list are slippage kind of things—mismatching of funds from an institution, or someone who has not read the program manual to understand some of the technical requirements within the program. Some are promissory notes that have not been signed on the back where the student has actually indicated he or she agrees to the terms of an agreement. They think they only need be signed on the face of the note indicating disbursements. I would say these are errors caused by ignorance and mismanagement of the program. They do not fall in the areas of fraud and abuse where someone knowingly and intentionally defrauds the Federal Government.

Mr. Ford. In addressing true fraud and abuse, what suggestions would you make for meeting the criticisms of the program that revolve around the feeling that fraud and abuse do occur?

Mr. Martin. Certainly regulations proposed in the April 8 Federal Register, I think, provide the proper diligence and give the Office of Education a handle on how to deal with those kinds of cases. When we talk about the whole area, we have to address the reporting burden and the administrative burden on the institution. Some of the examples, I think, we have already mentioned in our testimony.

It would help to have some administrative relief in terms of dollars to meet administrative costs to fund the development of information which would provide the kind of disclosure, if you will, to individual students which clearly indicates what their rights and their responsibilities are under these programs.

We know from our own members, and many institutions that we visit, that a large number of these institutions are not able to keep up with all the reporting burdens and they are sometimes understaffed and are not receiving the kind of administrative support they really need. The intentions of the committee to authorize the additional administrative costs, particularly in the basic grant and GSL programs as authorized in higher education amendments of 1976 were helpful and we appreciate that action. But we have not been able to get the necessary appropriations to fund these line items.

If you check with institutions, these people will tell you they have had to establish a completely different record keeping system of disbursements to keep the basic grant system totally independent of the regular reporting system established for the campus-based programs.

Mr. FORD. What kind of fraud and abuse is happening in BEOG? For example, the understating of family income?

Mr. MARTIN. Maybe I will ask Mr. Butts to respond because he has investigated that area.

Mr. BUTTS. I think most of the information in the basic grant program is basically accurate. We find inconsistencies sometimes between information that is reported, but that is often due to the time of year in which students are supplying information. You hear stories but I haven't come across any widespread student misrepresentation.

I think one thing that will help control that, and improve the quality of the data in the basic grant system is the move toward the multiple data system for basic grants where we will have all the partners, the State, Federal Government and the schools, actively participating in validation of the information that is used in the system.

Ms. MCAULEY. The percentage of unreported or lower income that is documented on a 1040 is fairly small, but we don't feel that a small percentage is really tolerable simply because it is small.

We are finding institutions which collect 1040's and compare these against the institutional applications for the campus-based programs. There appears, although we don't have a large survey, that the discrepancies between what is reported on the basic grants as compared to what is reported on institution applications are growing. This perhaps accounts for the lack of greater overlap between basic grant recipients and campus-based recipients.

For example, at many of the institutions I have checked, the vast majority of the students who are on campus-based programs also have basic-grant assistance, but the reverse is not true. For example, at my institution, roughly 72 percent of the students apply for basic grants only, and only the remaining 28 percent receive funds from the campus-based programs.

At my particular school, basic-grants recipients are larger in number than those on the campus based. That figure holds true for the California State University and college system, where two-thirds of their basic-grant recipients do not apply for campus-based aid. There can be a number of reasons for this. For example, if a student is living at home, the basic grants may, along with a part-time job, provide the cost of education, especially at a low- or no-tuition school. But we feel, and we would like the Office of Education to conduct some surveys in this area, we feel that part of the reason is the information being reported on the basic grants is not as accurate as the information sent to institutions, especially those institutions that use 1040's to collect that information.

Mr. **Ford.** Is the use of the 1040 optional?

Ms. **McAuley.** Yes.

Mr. **Ford.** So you get to the thing where the family doesn't want to make that 1040 available?

Mr. **Butts.** Yes.

Mr. **Ford.** You have also made reference to the tripartite application process as it concerns your members. In this regard, Commissioner Boyer has announced his plans to involve a group of consultants to review and simplify the tripartite application process. Do you feel that this is going to correct the inequities which you are discussing?

Second, who are the consultants—not specifically names—but are you aware whether or not the people in your field are being called in for this consultation?

Mr. **Martin.** My understanding is most of the people who have been appointed to serve as consultants with the Office of Education are practicing aid administrators. They have the background and expertise to advise the Commissioner of Education well. That is a very encouraging sign. It is too early to say if they will be able to come up with the needed modifications for the total tripartite system. But I do think we have reached a critical point and we have told the Office of Education, that they must do something to finally modify this whole system.

The current process is very burdensome not only to the institution, but to OE. It takes a lot of their time. Currently there are some people looking for very simplistic ways of addressing the problem. If they are not careful, they may fall into administrative pitfalls which simplify the whole approach, but which do not provide any kind of equitability. The inequities have been building up ever since the application process has been used. The purpose of the tripartite application system is to provide an equitable system whereby institutions can truly show the needs of their students. In turn, it provides a measurement for the Congress, and others, to assess those needs in terms of postsecondary education and appropriate money accordingly.

A total utilization base may not be the answer, and yet, it would be very simplistic and much quicker, but it could be a pitfall. We are concerned that simplistic answers not be given to very complex problems at this time.

Mr. **Ford.** I had the impression from Commissioner Boyer's testimony that he felt that the present system is not flexible enough to recognize the particular problems of the independent student who doesn't meet the criteria currently applied to determine who is, in fact, a de facto independent student. The problem involves the student who is told: "If you would go to school and be a respectable teacher like your mother was going to do before I married her I will give you support for education, but if you persist in wanting to be an atomic scientist, I am not."

Mr. Martin. The human values that are imposed by families and the whole area of dealing with the independent student, certainly are something that confronts our profession today. There is not an aid administrator in the country that hasn't had repeated complaints from the student and his or her parents.

The current regulations on establishing emancipation are rather rigid. There are three existing criterias, only one of which is documentable, and that is whether or not the student has been claimed as a tax exemption. The other two depend on the amount of support from the parents during a given time or how long the student resided with the parents. It is a very difficult area to establish whether or not a student is truly independent. You really need to find out whether or not he or she is receiving subsistence, is the student employed, where does the student live, and a lot of other things that are complicated to collect, to determine if the student is independent.

Mr. Ford. It is necessary that it be done?

Ms. McAuley. Yes, it is. You have one student and you decide whether it is a temptation for the parents to say that they are no longer responsible and yet, the support is then thrown to the U.S. Government. To try to ameliorate that situation is probably the most difficult day-to-day problem we face.

For example, a student will come in and has answered "no" to all of the independent situation questions and yet, on income, for the previous year and current income he lists zero.

Tom Butts gave me a very good example. When students do that, you say, 9 months into zero is zero, then you won't need any money to go to school. Then they come up with how they supported themselves. This is the kind of things that occurs very frequently. The more we are able to work with students and counsel them, the more we are able to assess their true needs and help them to get through school while not squandering the money so that other students can go to school.

Mr. Butts. I think, too, we are pursuing a social policy that gets into the question of when does adolescence end in this country, and rather complex factors that reinforce such policies. That is, do we want children eventually to be self-sustaining, when do you make that move from the home and what is the role of the Government in helping to finance that move?

In one sense one could argue that it may be healthy to assist students to become self-supporting by offering them options of greater work opportunities, for example, while going through school or flexibilities along that line. Regulations, also provide the aid officer the discretion to deal with certain very unusual kinds of circumstances that develop. But, unfortunately, many schools are not staffed to do the kind of indepth counseling that is necessary to make a proper judgment. As a result, students who might need an exception may not get it because there simply isn't the kind of counseling and administration or support at the institution to do it.

And then others, who are dealing with so many regulations are fearful if they make an exception, when the auditor comes by he may say, "Well, you have had an exception in this case and therefore, you should refund the money to the Government."

Mr. Ford. One of the things I find puzzling to this whole problem is after some 600 years of the system that we inherited from the British, which assumes that 21 is a magic number, we finally moved in Washington in a very limited way dealing with the right to vote to age 18 and States fell all over themselves. My own State of Michigan had voted on a referendum of the question of the 18-year-old vote in November by, I think, the following year and we passed the constitutional amendments. The legislators were on the phone waiting for the final vote, and they passed the necessary ratifications through both houses in a matter of days.

This was followed, within a very short time in the State, by changing the laws with regard to the drinking age, but in fact, they made citizens of Michigan an adult, for all legal purposes at age 18.

It seems to me that somehow, in dealing with higher education, we are having difficulty in keeping up with modern day thinking about when you become an adult.

Mr. BUTTS. Part of the answer is the price tag that is involved. As you might imagine, we counsel with students and parents who think because you are 18 you therefore shouldn't have to have parental support. The response we give now is one that says, yes, you are independent, but the question is, whether you are self-supporting. That level, the responsibility for financing postsecondary education, has rested traditionally with the families, with the Government's role of supplementing. To change and to say when you are 18 you are presumed to be self-supporting is an enormously costly factor.

We think that is healthy in terms of how we want our citizens to develop. When we have to find the dollars, I think to say to every student, you are emancipated, your parents don't have to pay, you are on your own totally at 18, including postsecondary——

Mr. FORD. What period of time do you take into account in determining family income eligibility for the programs and are they uniform? Do you use the same period of family income for all of the programs?

Mr. BUTTS. For all the campus based programs and basic grants, it is the same definition. There is a slightly different definition for GSL program.

Mr. FORD. Are you bound to the preceding year?

Mr. BUTTS. Yes.

Mr. FORD. What happens to the student who is, say, 20 years old and didn't enter college on completion of high school. He wants to try the outside world in the job market for a period of time and has, in fact, a job that contributes enough to the family to carry them outside the family income in the preceding year, but in order to attend school full time, he has to give that job up. Can you adjust to that situation?

Mr. BUTTS. If that student hadn't been included, according to the definition, on the parents income, and during the prior year had not received more than $600 support and had not resided in the home more than 2 consecutive weeks, then the family's income is not considered at all, only the student's resources are considered.

Mr. FORD. As a practical matter, the criteria that you set forth really knocks out the 20-year-old that I had in mind.

Mr. BUTTS. If the person had a job and——

Mr. FORD. He contributes to the family income for approximately 6 months, and he shows up in the fall and determines he is going to drop out of the work force for awhile and go back to school. Can you take into account the fact he was living at home and working and contributing to that family income and adjust it, even though on its face, the family income for the preceding year would disqualify him?

Mr. Butts. If the student weren't claimed, you would have to go into the individual situation surrounding the reasons why the student stayed at home. You would have to document it.

Ms. McAuley. If the student were paying room and board so he would be more like a boarder rather than a dependent, and if he were not claimed I suppose there might be some instances in which you might be able to work around that but the rule technically prevents that.

Mr. Butts. Needless to say, we have a problem with that part of the rule.

Mr. Ford. Do we have a significant problem with people who are not in fact independent or emancipated persons, who seek to establish that status in order to take advantage of the Federal program?

Mr. Butts. Yes, it is very significant, and it is growing all the time.

Mr. McCormick. As the man with the Junior College Association pointed out, more and more, the average age of the student is becoming older, and this will become more of a problem on the campus. It is a problem on our campus in the sense that our students seek to establish their independence through marriage. They assume when they get married that makes them independent of their families from that point in time on and they have a difficult time understanding this three-part definition of independence.

Mr. Ford. I suppose it is like which comes first, the chicken or the egg. But isn't it fair to assume that part of the incentive for this is the unrealistic level of income we use to trigger eligibility?

Mr. Martin. I don't think it is the unrealistic level. I think you can rely on the contributions levels and the changes that have been made—those are pretty solidly based on sound economic data that are not unreasonable expectations for families.

I think what we get into is a value system which reflects the way many individuals view the Federal assistance programs. There are a lot of middle-income Americans paying a lot of taxes and whose children are going to school and who don't think they are benefiting from the programs in any way. By declaring their son or daughter's independence they feel they will get some of the benefits they have already paid for.

Mr. Ford. I noticed your statement refers to middle income as above $10,000 family income. We have seen figures that indicated for a family of four $10,500 is a subsistence level in many of the major urban areas of the country, so you are calling people from the family of five or more with an income of $10,000 middle-income people. Again, we have slipped a little behind the realities of what is going on in this country.

Mr. Butts. What has happened there, Mr. Chairman, is, I think, is the effect of the basic grants program first. The data comes from the fiscal operations reports, and I think that is about the top range which we are asked to provide data on. They don't ask how many $20,000 a year families are in the data base.

Ms. McAuley. The $12,000 and above, are all lumped into one cell. If they expanded it, I think we would see a greater range.

Mr. Butts. I think what has occurred in the role of campus-based program, is that the basic grants have come in and have tended to be awarded to the low- and middle-income students thus making it possible to meet the needs of students we knew were needy before, but who didn't have the funds. The role of the campus based programs is changing more to cover those in higher income brackets.

Mr. Ford. One last question. I have had this come from students. It is sort of an expression of frustration. My own son has told me about students he has encountered who have incurred much more debt than they are going to be able to handle with the expectations he will have for employment, given the kind of college program they have pursued. We have heard the classic case of the person with a Ph. D. that says, "I have this Ph. D. that is not worth anything, so I am not going to pay for it."

Is this a point which it is possible to address without infringing on the academic freedom of the student? Is there an organized way in which the financial assistance package is monitored on the question of student loans versus the other kinds of aid, or is that an individual kind of thing with a particular person working with a student?

Ms. McAuley. That was one of the recommendations of the Keppel task force, the question of equity packaging so that the percentage of gift aid, work, or loan that each student had, would give the student an equal running start.

For example, in a student budget of $3,000, my own institution assigns roughly 50 percent for non-self-help which would include whatever the parents can contribute according to the tables that we must use, plus the sum of savings of the student and the remaining amount then would be filled with the basic grant.

If there was still need for that student a supplemental grant would be put in his package. The remaining amount would be the combination of work-study and loan. In looking at whether or not to assign a student a work-study job or loan, we would look at the student's academic situation and family situation. For example, for a young mother bringing up a child or two alone, it is not possible for the mother to take a work-study job that pays $2.50 and pay for babysitting of $1.50 or $1.25 an hour. For that type of student, we might give a little bit of work and be a little flexible in assigning a few more grant dollars to that student.

Another student may academically be a risk in terms of borrowing and we might recommend that the student be given more work, and again, a little bit of flexibility in the package.

Whereas, the majority of the students would fall into the 50 percent in work-loan and 50-percent grant and family contributions. I think that type of approach, as it is adopted across the country, could help to equalize the concern about some students being given all the loans. That happens all too frequently now, as opposed to some students who get much more, or all, grants.

Especially at those institutions such as some inner city schools where default rates are very high, there isn't truly what one would consider a loan program and, therefore, a more balanced grant and work program would be better.

But in thinking about the student from higher cost institutions, there is a regulation that applies to the supplemental grant program which really works against the student from a middle income family because that regulation requires that in order for us to be able to give the student a supplemental grant, the resources of the student and his family, and any other resources available to the student cannot exceed one-half of his budget. So, therefore, take again a $5,000 budget at an institution. If the parent and the student are able to contribute $2,600, that student would not be eligible for any part of his package to be matched with a supplemental grant even though we might want to give a $2,400 total package with one-half, or $1,200 being a loan and one-half, or $1,200 being a supplemental grant. Under the present regulations, we would not be able to do that.

So although there is some reason to have this 50-percent protection, so that the money goes more toward the low and lower middle income family, we feel that the 50-percent provision is too high. Perhaps a lower percentage would accomplish the purpose of not leaving the doors wide open to the student who may come from a high income family, especially an independent student from a high income family, in some cases, but would very much help the middle income student, who we are all concerned about.

Mr. FORD. One of the student groups that testified last week indicated that on many campuses a condition to getting a direct student loan was to indicate that you have already tried for a guaranteed student loan or some alternative loan and had been turned down a direct student loan. So they characterized direct student loans as the "loan of last resort." Is this widespread?

Mr. BUTTS. What we have is seven different Federal loan programs, that I am aware of. One problem that the particular institution faces is limited direct student loan capital to help all the students in the program. If fully funded, the total needs could be met with this program.

You do have also, I think, another social issue, or public policy issue, with respect to the matter of loans in the case of parents. We operate on the assumption that they have the first responsibility to pay and then using our various formulae, families are taxed according to their income and assets.

We also have a policy that says the student has responsibility to pay f[illegible]stsecondary education because this is for his benefit. One way to do that is through a loan. That is, mortgaging the future earnings.

Then society comes in and says we have a responsibility, too, and we will provide grants to help part of this system work.

Now, we want loans available, but as you look ahead, the question needs to be answered. What is the proper share of the cost of postsecondary education that should be borne by the student in the form of loans? I think we are at a point where we need to be concerned about the size of the debt that some of our students have accumulated. We have medical and dental students who are leaving the university now with debts in the $20,000 range, under two or three different loan programs. Maybe in that area, we can say $25,000 is a reasonable amount that can be repaid because of the high earning expectations. Maybe not. Someone needs to make some judgment there.

It is also true we may be graduating some elementary education teachers with perhaps more debt than their income can produce in terms of reasonable repayments. So, it is not a matter of schools so much saying students need to borrow. Students need an education and will do anything, including borrowing, to pay for it.

I think part of our responsibility is to see that there is a fair balance between the work, grant and loan programs.

Mr. FORD. Mr. Buchanan.

Mr. BUCHANAN. You have dealt with primarily the HEW program. You mentioned on page 5, the Veterans' Administration, Social Security Administration, and students assistance program.

Early in your statement you talked about the consolidation and need for further consolidation within HEW under the Bureau of Student Financial Assistance programs. What about coordination or consolidation in the other non-HEW programs? I wonder if you would comment on how much of a problem this is?

Mr. MARTIN. When you are dealing with various programs, you know that there is a need for a coordinated program on the campus and we are finding now, with changes in the Veterans' Administration that it is necessary for us to become more and more involved as student aid administrators in those areas. We have not taken a position, as an association, in terms of consolidation.

The majority of our money for student assistance is through HEW. The impact of the Veterans' and Social Security Administration in terms of dollars to help students to pay for education is, however, substantial.

With the changes and now the phasing out of the GI bill, there is going to be a substantial impact on postsecondary institutions. As costs go up and people are no longer eligible, and if the gentleman from Wayne County Community College is correct, and if enrollments are still holding up in spite of the benefit cuts, this will produce a higher demand on the dollars to meet the needs of students and we are going to have another population looking for an alternative source of money. It is therefore time we had a coordinated Federal policy in these programs.

Mr. MCCORMICK. To give one example, you have several students go through your office for aid. When they are through, they go to the welfare office and apply for food stamps and are processed under a totally different kind of criteria altogether, in terms of whether or not they are eligible for food stamps. It is very inconsistent as we view it from one part of the country to another.

I know of some examples where students are receiving food stamps in one area and students in another part of the country are not even allowed to apply for food stamps.

We have had difficulties in the Bureau of Indian Affairs trying to coordinate our student assistance program. That resulted in an almost head-on confrontation with the Office of Education and Bureau of Indian Affairs, as to how to treat BIA scholarship money.

Having worked in more than three different areas of the country in the last 11 years, there is no consistency in the way the BIA officials administer scholarships. It depends on where the Indian is as to whether he can receive BIA money. I think that has been a tremendous problem in the past and should be addressed in the future.

Mr. **Buchanan**. Thank you, Mr. Chairman.

Mr. **Ford**. With respect to your reference on page 6 to the requirement that the Office of Education meet the promise made to then Chairman O'Hara and the range of the 1976 act in publishing regulations which were required before June 9, and are not yet published, we have made an inquiry through the Office of Education. We have been told that, pursuant to the excuse provision of the act, which says you will write to the chairman if you are not able to do this by the date set, there is a letter somewhere in progress. We haven't found out who wrote the letter nor what it says, but somewhere there is a letter on its way to tell us they are not going to be able to make it 3 weeks ago.

Nothing changes apparently, but we do intend to pursue that with them and see if they can give us some idea when they will have them.

Perhaps, Califano didn't get the word that the President said he didn't really mean it when they told the Cabinet members they had to read all the regulations before they went out and they are waiting for Califano to read them. But the track record with the Office of Education promulgating regulations after legislation is not good. You made reference in your statement to the 1972 act and the fact that some regulations were finally brought into being after the act had expired.

Title IX, I think is a great example. It only took a little over 3 years to write the regulation and then they want the schools to comply in 6 months. It has been a continuing problem. We have tried a variety of legislative approaches to get to it. Perhaps it is the desire down there to write a perfect set of regulations before they let anything out. It seems they could have had some idea out among the educators within 3 years about what was going to be addressed in sex discrimination without waiting until they finalized the regulation. Maybe we can encourage them to give us an outline of what they are considering so the educators can start to anticipate them.

I think it is excusable, because of the amazing array of roadblocks that lie in the way of any piece of legislation that have to be overcome one by one, when Congress ends up tardy with its final product in terms of being able to respond to a normal annual cycle for educational institutions. But I find it hard to understand why the executive branch cannot put aside something or add people if it is necessary to meet some kind of a reasonable timetable. So I expect we will have the support of a lot of people to press them very hard for an early resolution of this so we won't be, as you suggest in the statement, facing a late winter next year of indecision.

Mr. **Martin**. We thank you for that. We recognize, though, there have been a lot of people working very hard on the regulations to deliver them on a timely basis. We even expected some delays this year because of the change in personnel and normal transition period. To continue the regulation extension period up to 45 or even 60 days would not have been so bad but we are passing beyond 70 and 80 days and it seems like it is time to get on with it. We are very frustrated with the delays. It is not just the financial aid administrations that are affected. It impacts on the students for which the programs were designed.

Mr. Buchanan. It seems we are going to have to legislate a lot more specifically and leave them a lot less running room. I have heard one clear example in your testimony, but that happens even when we seem to be reasonably clear.

Ms. McAuley. All they forgot was the partridge and the pear tree.

Mr. Ford. Thank you very much, and thank you for your patience with the irregular schedule. We are sorry we have kept you beyond the anticipated time.

The subcommittee will stand in recess until the call of the Chair.

Ms. McAuley. Thank you, Mr. Chairman.

[Whereupon, at 1:51 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Additional material submitted for inclusion in the record follows:]

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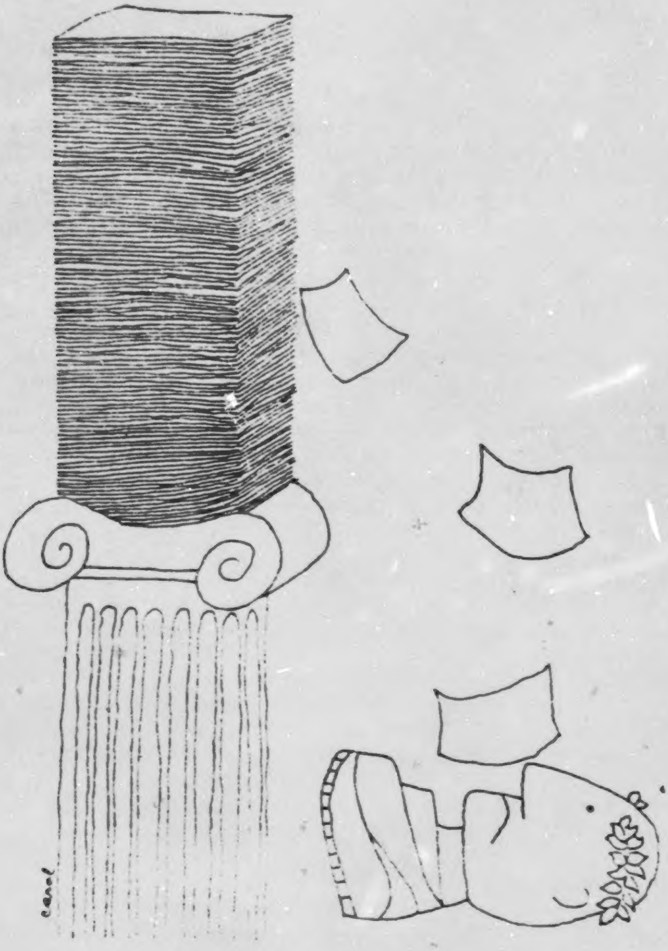

A Report
of the
Commission
on
Federal
Paperwork

Education

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III.

Student Aid

During the 1960's, the number of public and private institutions of higher education increased by more than 500 and enrollment more than doubled, rising from 3.6 million in 1960 to 8 million in 1970. The same period saw a tremendous growth in both the number of student aid programs and the total amount of financial assistance available to students from local, State, and Federal government, and institutional and private sources. In the mid-1950's the total amount of financial assistance available to postsecondary students was estimated at $96 million. By the mid-1970's this amount had grown to nearly $6.1 billion.

The National Defense Education Act of 1958 introduced Federal financial aid through the National Defense Student Loans. The Higher Education Act of 1965 established equality of access to postsecondary education as a national priority and initiated a program of Federal grants to low-income students, a guaranteed student loan program, and Federal subsidies for part-time work. In the enactments that followed, Federal support for student aid steadily increased, reaching a peak with the Education Amendments of 1972.

This statute established a program of "Basic Educational Opportunity Grants" that was based on the assumption that all students are entitled to assistance to attend institutions of postsecondary education. The program was designed as the foundation or "floor" upon which, ultimately, all student aid would be based. Since its inception, the Basic Grants Program has grown rapidly in terms of dollars expended and the number of recipients. Appropriations were increased from $122.1 million in the first year (1973-1974) to $1.69 billion in the fourth year (1976-1977), while the number of recipients increased from 185,249 to an estimated 1,900,000. The Federal Government is now the major contributor of student financial aid, providing over 80 percent of the funds available for this purpose.

Equally significant is the increased Federal influence on policies and procedures affecting the entire financial aid system. For example, OE regulations issued in 1975 required, among other things, annual OE approval of every formula used by institutions for determining "reasonable" parental contributions to postsecondary education. Increased Federal involvement has also meant increased paperwork. The Government has not only made available funds for needy students but has also issued rules and regulations specifying to whom and how these funds can be awarded and requiring follow-up reports on how funds were expended.

The enormous growth in financial aid — in particular the increased Federal involvement — has brought with it a number of problems for students, their parents, and educational institutions. The rapid implementation of relatively massive Federal programs, together with the increasing tendency of the Federal Government to direct the provision of student aid, has often resulted in duplicative and unrealistic data requests. The first two parts of this section analyze specific paperwork problems inherent in particular student aid programs and recommend solutions which could be implemented relatively quickly. These problems also provide insight into other more fundamental issues: the need for greater coordination of aid programs at the Federal level and, equally important, the need for greater coordination among all student aid programs — local, State and Federal, institutional and private. The final part of this section presents Commission findings and recommendations related to these more basic problems.

Guaranteed Student Loan Program

The single largest student aid program is the Guaranteed Student Loan Program (GSLP) created by Title IV, Part B of the Higher Education Act of 1965. During its first eight years of operation, it served 8.8 million students and lent $9.5 billion. The GSLP insures loans to students in two ways: through the 26 States that operate their own State Guarantee Agencies; and through a variety of private lenders in the remaining States and territories under the Federally Insured Student Loan (FISL) program.

In the first year of the FISL program, students completed only one application but, as information elements were added over the years, by the 1976 fiscal year applicants were required to complete three separate forms to secure one loan.

Student Application for Federally Insured Loan (OE Form 1154, 3/71) was the first form an applicant, school and lender completed. It was 21 inches long, in triplicate, with instructions for completing the form printed on the reverse side. Such a location for instructions was awkward, particularly if the applicant were using a typewriter and had to reinsert the form each time it was necessary to resort to the instructions.

Approximately two-thirds of the information requests on Form 1154 were directed to the student; the others were directed about equally to the school attended and to the lender. Instructions for the school and lender were on the reverse side also.

Student Loan Application Supplement (OE Form 1260, 1/73) was the second form required of students, schools and lenders. Form 1260 required seven information items each from students and schools to be repeated from Form 1154. Instructions were again on the reverse side of this triplicate form, but their location was so indicated on the face sheet.

Addendum to Lender's Report of Guaranteed Student Loan (OE Form 1070), Student Loan Application Supplement (OE Form 1260) was the third form, required of students only. It explained in an 11-inch page the information required by the Equal Credit Opportunity Act and the Privacy Act. At the bottom of the page the student could waive the requirement that OE keep an accounting of disclosures of information necessary to process and service the loan, including possible transfer and ultimate collection.

The National Association of Student Financial Aid Administrators (NASFAA) reported that these forms contained duplicative student identification data and, further, the existence of three separate applications increased the possibilities of having parts of the total application become separated from the other parts or lost.

Compounding the problem was the fact that State Guarantee Agency loans reinsured by GSLP also usually required three separate student application forms. Except for additional information required in some instances by State law, the information requested was the same as in the FISL program and frequently in the same format. States must meet the basic requirements of the Higher Education Act of 1965, but may enact additional requirements that are not contrary to Federal law.

As a result of suggestions from postsecondary education associations, the Office of Guaranteed Student Loans (OGSL) initiated steps to solve the multiple application problem in the FISL program. A mock-up was developed of a booklet containing a single application form and readily apparent instructions and information. The single application form combined the previous three, reducing data items by 21 for students and 14 for schools by omitting duplicative and unessential items.

The proposed new FISL form utilizes standard-sized paper to simplify handling by the student and file storage by the agencies. It contains some new information items from students to assist in curbing the growing default rates as well as information on changes in loan limits and eligibility enacted October 12, 1976, in the Education Amendments of 1976 (P.L. 94-482).

OGSL staff also consulted State Guarantee Agency staffs which comprise the National Council of Higher Education Loan Programs in an effort to achieve consolidation of their multiple student application forms.

Recommendation No. 11
The U.S. Commissioner of Education should give high priority to consolidating the three student application forms in the Federally Insured Student Loan application cycle for the 1977-78 school year.

Recommendation No. 12
Each of the 26 State Guarantee Agencies should consolidate its student application forms as soon as possible.

Recommendations Nos. 11 and 12 were adopted by the Commission December 3, 1976. The Commissioner of Education replied on January 14, 1977, that "completion of the application redesign project is expected to coincide with the beginning of the 1977-78 academic year, as per the Commission's recommendation." Replies from several State agencies indicate that some have completed consolidation of their application forms.

Campus-Based Programs
Unlike the Guaranteed Student Loan program and the Basic

Educational Opportunity Grant (BEOG) program, which provide funds directly to students, the three campus-based Federal programs provide funds *indirectly* to students through their institutions. Under these programs, funds are allocated to colleges and universities which then are free, within general constraints, to select the students to whom these Federal funds should be awarded.

Although the campus-based programs have not experienced as rapid a rate of growth as the GSLP or the BEOG, either in terms of the appropriations or recipients, they have been a source of serious paperwork problems for the more than 4,000 institutions which annually apply for support. Indeed the campus-based programs constitute a case history of "bad" paperwork, illustrating some of the unfortunate consequences for the Federal Government, as well as the higher education community, of excessive and unrealistic data requests.

The three campus-based programs are administered by OE's Division of Student Financial Assistance. One of these programs, the Supplemental Educational Opportunity Grants (SEOG), provides grants of from $200 to $1,500 a year to students of "exceptional" financial need who would be unable to continue their education without such a grant. The second program, College Work-Study (CWS), subsidizes the part-time employment of needy students, while the National Direct Student Loan (NDSL) program supports long-term, low interest loans. These three programs are generally regarded as supplementary to other forms of student assistance (e.g. Basic Educational Opportunity Grants), and financial aid officers "package" the various aid components in different ways, depending on available funds and student circumstances.

Federal funding is initially allotted to the States according to statutory formulas based essentially on enrollment. Funding levels for institutions within each State are recommended by regional review panels which base their decisions primarily on the institution's previous utilization of funds and the aggregate financial need of its students. An institution applies each fall for support of all three programs on a single consolidated form commonly referred to as the "Tripartite Application."

In the early years of the campus-based programs, this form was relatively simple, requiring only minimal data on enrollment and institutional needs. Starting in 1971, OE sought to collect additional information to build a national matrix showing the aggregate financial need of all students on each campus. The aim was to demonstrate total need to the Congress and to target funds to those institutions whose students had the greatest need. In the course of this project, the application was expanded drastically. However, despite the increased data requests, there were no major shifts in funding because the State allotment formulas were preserved. Although the targeting concept was dropped, the massive application has remained.

Institutional Burdens. Applicants report that the Tripartite Application is difficult and time-consuming to complete. According to a survey conducted by NASFAA, the average institution spends four to six weeks gathering the data and preparing the application. Completion of the form frequently interferes with other professional responsibilities, for instance, reducing time available for student counseling.

The current application is 15 pages[1] and so complex that OE has found it necessary to issue a 17-page set of instructions to accompany the form. Applicants are required to supply three sets of figures — for the preceding, current and following academic years — for each of the following items:

- *Enrollment:* number of undergraduate and graduate students eligible to participate in any of the programs;
- *College Work-Study Request:* number of actual and estimated recipients according to location of employment (on campus/off campus), average award, gross compensation to students;
- *NDSL Request:* number of actual and estimated recipients, average loan, total loans advanced to students, litigation and collection costs on defaults, cash on hand, reimbursements for loans cancelled for creditable teaching and military service;
- *SEOG Request:* number of actual and estimated recipients, average grant, total funds expended and requested;
- *Institutional Need Analysis:* total number of students needing financial assistance and the figures used to support the analysis (e.g. estimates of family contribution, average cost, etc.);
- *Costs for Needy Students:* detailed breakdown of costs (tuition, board and room, etc.) for single and married students, for those living with parents and those living alone;
- *Family Resources:* breakdown of average and total family contributions for single and married students;
- *Other Resources:* detailed breakdown of other sources of aid (Basic Grants, Veterans' Benefits, institutional aid, etc.) according to number of students, dollar amounts, and size of average award.

In addition, the applicant institution must furnish a description of all key personnel (specifying their years of experience, functions, and percentage of time devoted to administration of student financial aid programs), a narrative describing the method of projection, and summary of institutional aid expenditures over a three-year period.

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[1] Institutions which received funds for the past two years and whose current requests do not exceed 110 percent of previous allocation may submit a shortened version of the application. The use of the two forms (the so-called short and long forms) which are based on different criteria for review — the long form primarily on the aggregate financial need of students; the short on the institution's previous utilization of funds — has created problems for reviewers and contributed to inequities in the distribution of funds (see p.51 below). The short form and other aspects of the Tripartite Application are currently under review by OE.

Probably the most burdensome aspect of the application (aside from the sheer mass of data requested) is the frequent requirement that institutions make estimates from samples and weigh certain factors in order to arrive at reasonable projections of the detailed costs of education, student resources and financial need for both the current and following academic years. Officials of many institutions claim that some of the data are impossible to obtain.

For example, while fairly reasonable estimates for the following year can be provided on the amount of aid available from the institution's own resources, it is impossible to know the number of students who will be eligible for Basic Grants or the amount of such awards. The Basic Grants are subject to annual appropriations which in the past have been either underutilized or have required supplemental enactments. The rate of participation by students varies annually. Further, the awards are not determined by the institution. Similarly, estimates on the availability of loans and off-campus employment can only be made by guessing at future conditions in the local loan and labor markets.

Agency Burdens. OE regional offices report that the application requires an inordinate expenditure of their own staff time and costly, complex panel review procedures. In 1975, for example, Region V (the largest region) received 740 applications each containing 15 pages and 1,362 data cells. Following established procedures, the staff must check and edit each application for completeness, conformity with guidelines, and the accuracy of mathematical calculations. (One error can throw off the entire request.) Thus, 1,007,880 data items had to be edited in Region V alone.

Estimates of regional staff time expended in the entire application process (which includes workshops for applicants, editing of applications, panels and postpanel appeals boards) range from approximately 20 percent in smaller regions such as Region I (Boston) to 40 or even 50 percent in Region V (Chicago). The inordinate expenditure of staff time has become a source of increasing concern because staff are diverted from other critical tasks, such as monitoring programs, to handle the paperwork.

The mass of data and the number of items also make the panel members' task of reviewing applications extremely difficult. In 1975, OE found it necessary to issue a 50-page set of guidelines to assist panelists — another indication of the unmanageable nature of the form. The process is further complicated by the fact that panelists must often recalculate data items if they exceed the "yardsticks" set by the panel. (The widely-differing estimates submitted by applicants often force panels to impose yardsticks for costs such as board and room as a basis for judging the reasonableness of applications. The yardsticks are based on comparisons of entries from similar institutions within the region.) Given the mass of data and the need for recalculations, some panels indicate that they seldom have more than 30-45 minutes to review and evaluate each application. Panel sessions could perhaps be extended but, in the opinion of many reviewers, the problem lies more with the volume and complexity of the data to be considered than the duration of panel reviews which are already considerable and, in most regions, last a week, or two.

Questionable Benefits. The burdens on applicants and regional staff might be justified if the application achieved reasonable results. However, there is considerable evidence that it does not. It is widely acknowledged by Government officials and members of the financial aid community that the current form encourages the inflation of applications; that is, it encourages institutions to submit requests which do not reflect the actual financial need of their students. This problem was highlighted in a General Accounting Office (GAO) report issued in 1974:

> *The process through which educational institutions are allocated funds under CWS, NDSL and SEOGs does not ensure an equitable distribution of appropriated funds. Some educational institutions submit applications which do not reflect accurate estimates of student need of anticipated applicants. Regional panels convened by OE to review applications and recommend amounts to be allotted to the schools do not always identify and make appropriate adjustments to these applications.*

A 1976 NASFAA study disclosed that 68 percent of the panelists who participated in a survey believed that "many to most applications were inflated."

Knowledgeable Government officials trace the problem of inflated requests to the changes that were made in the Tripartite Application in 1971. Initially, institutions had been asked how much they had spent on programs and how much would be needed the following year, based on anticipated changes in enrollment. The results, according to OE officials, were fairly realistic estimates of institutional need. The new application, however, required institutions to supply estimates on *all* students by income category. The problem was that most colleges and universities had not systematically been collecting this information and were not prepared to respond.

As a result, even well-meaning institutions built in projections that showed more financial need than they actually had. This initial unrealistic data request triggered an unfortunate cycle which continues to plague OE: panels now almost routinely reduce applications, on the assumption that most are inflated, while many colleges and universities continue to inflate their requests, knowing from previous experience that their allocation will be only a small percentage of what had been requested. This is not an attempt by the institutions to defraud the Government; rather, as the GAO report stated, colleges and universities are forced to "play the game" to meet the real needs of their students.

The current form contributes to the inflation of applications by forcing institutions to speculate on the future and by accepting unauditable data. This point was the principal finding in a 1976 study of the Tripartite Application undertaken by Region V officials:

> *The application assumes that the answers are statistically sound, but in fact there is no way that much of the data can be audited . . . Decisions on funding are made on projected figures and these projections cannot be validated until the following year . . .*

Compounding the problem is the fact that figures in the application are not even compared with available historical data to determine if the estimates are reasonable. Each institution, for instance, must submit annually a Fiscal Operations Report which requires, among other things, data on actual funds expended and the number of student applicants who were *not* aided because of insufficient funds. Although these reports could be a valuable resource for the panels, the GAO study found that only three of the seven panels surveyed used the reports in their reviews.

Further, staff review indicates that much of the application data is not used in arriving at final award decisions — in spite of the inordinate time and expense spent gathering, editing and massaging the data. After the panels have met, their recommendations and the full applications are sent to Washington where data is entered into a computer for statistical analysis and generation of award letters. The Director of the Student Financial Aid Division informed the Commission that, in 1975, less than a dozen data items were pulled from the applications for storage in the computer bank.

Findings. Without exception, OE officials, panelists and financial aid officers who were contacted by the Commission agreed that the current application is highly undesirable for one or more of the reasons discussed above. In response to complaints from the financial aid community and regional offices, OE has organized several task forces to review the application and devise ways of simplifying procedures. Possibilities under consideration include changing the current panel allocation system to a formula approach based either on enrollment or previous utilization of funds.

It appears that OE has been moving in a direction that would place greater reliance on data that is readily available and verifiable, while minimizing the number of detailed and often unreasonable estimates currently required. This is a direction that the Commission believes should be pursued vigorously in the interest of both the efficiency and effectiveness of data collection. The approach seeks to address the major problem with the current system: the inability of institutions to estimate accurately and of the agency to validate promptly such a mass of data.

Another possibility that should be fully explored is consolidation of the application and the Fiscal Operations Report into a shortened and redesigned form. This would eliminate duplicative data items while making critical historical data available to the panels.

Recommendation No. 13

The Office of Education should: give a high priority to shortening and simplifying the Tripartite Application;

Recommendation No. 14

Consider approaches that place greater reliance on data that is readily available and verifiable, while minimizing the number of detailed estimates;

Recommendation No. 15
Consider, as a first step, the elimination of those data items that may be impossible for institutions to obtain: projections on Basic Grants, State Scholarships and Grants, Veterans Benefits, other loans, other employment and other sources of aid;

Recommendation No. 16
Explore the possibility of merging the application and Fiscal Operations Report into a redesigned form; and

Recommendation No. 17
Continue to work closely with representatives of the National Association of Student Financial Aid Administrators in all phases of the planning and development of a new and improved application.

These recommendations were adopted by the Commission on February 25, 1977. In response, the Office of Education replied to the Commission on March 25, 1977, that its Division of Student Financial Aid had:

- Initiated proposed rule changes within the regulatory structure of each program, which will be subject to broad public comment. These modified regulations will, when published this year, govern a vastly foreshortened and simplified form to be used in the fall.
- Proposed that, except for institutions which are first-time applicants, this application will secure verifiable data — a most important change.
- Recommended that, in light of organizational changes in the student aid programs and the potential for continued consolidation and streamlining of reporting requirements during FY 1978, they will not attempt modification of the fiscal report for these programs, to be used in recording current year expenditures. However, there are plans to simplify and streamline this document for the 1978 reporting year.
- Engaged in widespread consultation with student aid administrators, national leadership in the higher education community and others concerning this important easing of the paperwork burden.

More detailed information was promised "on the end product when it is available this summer."

Toward a Single Application

The specific paperwork problems inherent in the Guaranteed Student Loan and campus-based programs illustrate another more fundamental problem: the lack of close coordination among Federal student aid programs, in particular between the BEOG and the other aid programs administered by the Office of Education. The BEOG program has brought massive amounts of financial aid to students, but, to cite one example, the current application and allocation system for the campus-based programs does not yet reflect the full effects of the BEOG program, which is now the foundation of all student financial aid.

The Tripartite system was not designed to accommodate a new and massive source of funds. The "short form" of the Tripartite Application, discussed above, was based on the assumption that institutional need had already been established through previously submitted "long forms" and that an institution submitting the "short" form was seeking only to continue its aid programs at the current rate with a certain increase attributable to inflation. This assumption does not take into account the fact that the "long forms," in many instances, were submitted prior to the emergence of the BEOG program, and their information on other resources is obsolete.

In recognition of this and other problems resulting from overlapping programs, OE student aid programs were recently reorganized into a single Bureau of Student Financial Assistance. Previously, administration of OE's seven student grant and loan programs was divided between two offices: the Office of Guaranteed Student Loans which oversaw that massive program, and the Bureau of Postsecondary Education which administered the other six student assistance programs (BEOG, CWS, NDSL, SEOG, State Student Incentive grants, and cooperative education awards). The two offices had different policies and procedures and little continuing contact or cooperation.

Although the paperwork implications of this reorganization are not yet clear, the action appears to be a necessary preliminary step for improved coordination and management of these programs. It offers, for instance, the opportunity for greater sharing of information among the programs and possibly the development of a coordinated and computerized data management information system for all OE student aid programs in place of the separate systems for each program currently in operation.

Consolidation of OE student aid programs in a single office, then, has potential for reducing paperwork and streamlining the student aid system at the Federal level. This, however, is only one, albeit a very important, aspect of the paperwork problem as it relates to the delivery of student financial aid.

Any serious study of paperwork problems inherent in student aid programs must recognize the interconnected nature of the Federal student aid programs with those from local, State, institutional, and private sources. Federal student assistance represents only a part of the entire constellation of aid programs which have different purposes, policies, schedules, and procedures. The impact of so many diverse programs and procedures on the student is the subject of these pages.

One of the fundamental problems is simply the number of applications and needs analysis forms that students and parents must complete to demonstrate their eligibility for assistance. A student may file a separate financial aid application with each college or university to which admission is sought, another to a State agency for State scholarship, and possibly a third for a Federal Basic Educational Opportunity Grant. In addition, the student may submit an application for a Federally Insured Student Loan as well as separate applications for scholarships or grants from private sources. To complete these forms, students and their parents must assemble information from income tax forms and other records and manipulate the data in different ways to respond to slightly different questions on the various forms.

Multiple methods or systems for determining financial need compound the problem. There are three major national systems for needs analysis — those of the American College Testing Program (ACT) and the College Scholarship Service (CSS), which provide to colleges and universities determinations of parental ability to pay postsecondary education costs, and the BEOG Analysis, which has its own eligibility determination procedures.

In addition, an institution may use the income tax method while some State agencies utilize other needs analysis systems. Prior to the work of the Keppel Task Force, which is discussed below, a family could provide identical financial information to the two major services (ACT and CSS), yet the estimates of the family's ability to pay for educational costs provided by the two services might vary by as much as $1,000 due to differences in their respective procedures and formulas.

The application process is further complicated by the lack of standard definitions for some of the data requested and by different deadlines for the distribution and processing of applications among private, State and Federal systems. As the testimony of educational associations and student groups has amply demonstrated, these factors have made the application process highly burdensome and confusing to students and their parents. Of even greater concern to some is the distinct possibility that students might be missing opportunities to secure necessary financial assistance because of the multiplicity of forms.

Keppel Task Force. In 1974, 26 education organizations and institutions formed the National Task Force on Student Aid Problems to seek ways of simplifying and improving the system. The group is commonly known as the Keppel Task Force in honor of its director, a former U.S. Commissioner of Education. Its final report, issued in 1975, contained major recommendations pertinent to the analysis of student financial need, the collection of data from students, and the coordination and management of aid programs.

To eliminate confusion resulting from the different needs analysis systems, the Task Force developed, in cooperation with several recognized economists, a "uniform methodology" for determining parental ability to contribute to educational costs. This methodology represented a compromise between the existing systems. It was subsequently adopted by ACT and CSS and is now used for the analysis of all financial statements submitted to them.

The second major contribution of the Task Force was development of a common form to collect data necessary for needs analysis, including all information necessary to "drive" the "uniform methodology." Recognizing that immediate adoption of the common form by all parties would be extremely difficult, the Task Force recommended a developmental process for its implementation. This called for initial adoption of common data items and definitions by Federal, State, and private student aid programs as well as the major services, followed by field testing of the common form and, finally, adoption of this form by all parties for use in the academic year 1976-77.

In view of the special needs of the BEOG program, the Task Force further recommended that this program continue to have a separate processing function, but "students who so requested could have a copy of the data (on the common form) submitted to ACT and CSS or another agency transmitted to the BEOG (contractor) for processing in lieu of a separate application."

Until quite recently, these recommendations had met with only partial success. Statewide field tests of the common form were conducted in Kentucky and Wisconsin in 1975-76. Based on these experiences, modifications were made, and CSS and ACT agreed to adopt the common form for their State aid programs.

Later Developments. Central to the success of the Keppel Task Force was adoption of the "uniform methodology" and common form by the Basic Educational Opportunity Grants program, which was established by Congress as the foundation upon which all other forms of financial aid would be based. Because nearly all students file a separate BEOG application in addition to other financial aid forms, significant improvement in the student aid delivery system could be achieved only with the participation of the Basic Grants program.

For a variety of reasons, however, OE had been unwilling to adopt the Task Force recommendations. Following discussions over the past two years between BEOG program staff and the Coalition for Coordination of Student Financial Aid,[2] a compromise settlement was reached in January 1977 which goes far toward simplification of the student aid delivery system.

The agreement between BEOG staff and the Coalition calls for a new alternative delivery system for the BEOG which will enable students to file one financial aid form and receive consideration for all financial aid programs. This will be accomplished through a tape exchange of selected data elements between BEOG and State and private agencies collecting data for needs analysis (see Figure 3).

As the first step, the Coalition and OE will agree on common data element definitions and instructions which will be used to "drive" the BEOGs and the "uniform methodology."[3] Beginning in January 1978, students who file forms with an approved national processor (e.g., ACT, CSS, or a State agency) will have their BEOGs processed at the same time without having to file a separate application. Eligible processors will provide carefully edited computer tapes to the central BEOG contractor which will, in turn, check its files against duplication and send "Student Eligibility Reports" to students. Other than the tape exchange, all other aspects of the BEOG application process will remain the same.

Although the proposed system will represent a significant improvement over existing procedures, a number of complex

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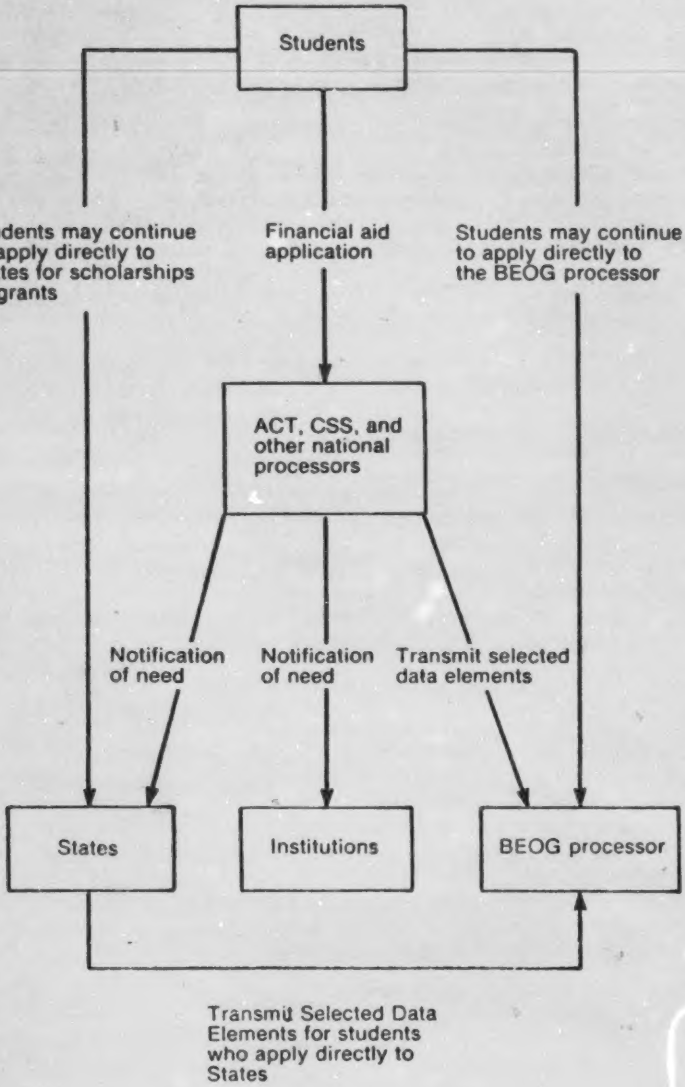
[2] A voluntary group from the higher education community organized to follow up on the Keppel Task Force recommendations.

[3] The Basic Grants Analysis and the Uniform Methodology will still produce different estimates of a family's ability to pay for educational costs. Both OE and the Coalition agreed that this was appropriate given the different purposes of the two systems: to determine program eligibility in the case of the BEOGs, and to estimate total financial need in the case of programs using the Uniform Methodology.

Figure 3
Possible Elements of a Tape Exchange System


Students
Students may continue to apply directly to States for scholarships or grants
Financial aid application
Students may continue to apply directly to the BEOG processor
ACT, CSS, and other national processors
Notification of need
Notification of need
Transmit selected data elements
States
Institutions
BEOG processor
Transmit Selected Data Elements for students who apply directly to States

Source: HEW Student Financial Assistance Study Group, Draft Report, "A Tape Exchange Program" (1976), p. 4.

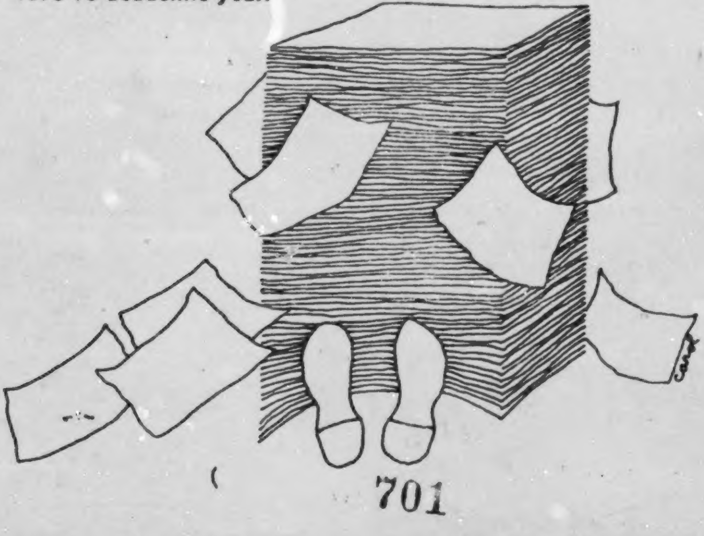
administrative and technical problems must still be resolved. For instance, the agreement is premised on the adoption of a common calendar date (January 1) for distribution of all financial aid applications. This would allow the use of actual, not estimated, income tax information on applications, as required by the Basic Grants Program. Knowledgeable officials agree that this and other administrative problems resulting from the agreement can indeed be solved. In the process, they anticipate further improvement and refinements in the system.

Once implemented, the new system will allow a student to complete one application form and receive consideration for all Federal aid programs except the Guaranteed Student Loan, most State programs, and all institutional aid programs. A conservative estimate from the National Association of Student Financial Aid Administrators is that the new system could initially reduce the number of applications by 3-4 million a year. Potentially, it could save as many as 10 million applications once the system is fully implemented by all parties.

Recommendation No. 18
The Commission on Federal Paperwork endorses the concept of a single financial aid application for all Federal, State, institutional, and private forms of student financial aid.

Recommendation No. 19
The Commission on Federal Paperwork commends the U.S. Office of Education and the Coalition for Coordination of Student Financial Aid for their efforts to simplify and improve the financial aid delivery system.

Recommendation No. 20
The Commission on Federal Paperwork urges the Office of Education and the Coalition to give a high priority to development of the Tape Exchange Program to ensure its implementation for the 1978-79 academic year.



CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS

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VETERANS' EDUCATIONAL BENEFITS: 1944-1976

Introduction

The veterans' benefits program dates back to colonial times. However, until World War II, the benefits system predominantly included income support and health care to disabled servicemen, indigent veterans, and their survivors.

Other forms of veterans' assistance developed more recently. The first steps toward educational benefits were taken in connection with the rehabilitation of disabled veterans of World War I. The 1917 amendments to the War Risk Act and later the Vocational Rehabilitation Act of June 27, 1918 made provision for education and vocational training for those with service-connected disabilities.

During the period of demobilization following the war, the Army undertook a very ambitious schooling program for troops awaiting return from Europe. The final report of General Pershing to the Secretary of War stated, in part:

> "...The total attendance in the organized school system of the American Expeditionary Forces was 230,020, of which number 181,475 attended post schools, 27,250 educational centers, 8,528 the American Expeditionary Forces University at Beaune, 367 art training centers, 4,144 mechanical trade schools, 6,300 French, and 1,956 British universities. The attendance upon the institute short courses totaled 690,000 more, and at extension lectures 750,000, giving a grand total of attendance at all educational formations of 1,670,020.[1]

While there had been no general educational program for discharged veterans of World War I, the inclusion of education in the World War II package of benefits seems to have been one provision toward which there was little opposition. The most important and far-reaching part of the Servicemen's Readjustment Act of 1944 (Public Law 78-346, often spoken of as the GI Bill of Rights) was that providing educational benefits.

Before World War II was over, Congress foresaw a pressing problem in the return to civilian life over a relatively short period of time of the 15.6 million veterans.

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[1] U.S. Congress. House of Representatives. Veterans Affairs Committee Print No. 171, 84th Congress: 201-214.

Responding to the anticipated need, Congress created the comprehensive package of benefits to ease the social and economic readjustment of veterans. This legislation differed from earlier veterans' programs in that it was universal and required no test of need or disability.

The rationale for the readjustment programs was also slightly different than for other veterans' benefits. The objective was to assist the economic conversion from wartime to peacetime production as well as to reward veterans who had endured prolonged separation from civilian life. The debt of gratitude owed the veterans was coupled with the belief that national interest required larger numbers of college-trained people.

Once the Government assumed the responsibility to help veterans readjust to civilian life after World War II, similar efforts were revived after the Korean Conflict and the Vietnam Era. Peacetime veterans released during the brief intervening period between the Korean Conflict and the Vietnam Era were included under the Post-Korean Conflict GI bill. From 1944 through April of 1976, the Nation has spent more than $38.7 billion for the education and training of veterans under the various GI bill programs. Of this cost, $14.5 billion is attributable to the World War II GI bill, $4.5 billion to the Korean Conflict GI bill and $19.7 billion to the Post-Korean Conflict GI bill.

This report contains a discussion of the intent of Congress regarding the three major GI bills as reflected in legislative actions, a brief comparison of education and training assistance under the three programs, the issue of termination of eligibility for participation under each of the programs, and the new Post-Vietnam Era Veterans' Educational Assistance Program.

The focus of this paper is the general educational assistance offered to veterans without service-connected disabilities. Benefits available to disabled veterans, such as the vocational rehabilitation program are not discussed.

I. Brief History and Provisions of the Three GI Bills

The first mention of veterans' education benefits came in 1942, when President Roosevelt signed a bill reducing the draft age from 20 to 18 and announced he was appointing a committee to study the needs of young men whose education would be interrupted. The committee recommended education and training benefits for ex-servicemen, but for no more than 1 year.2/

The extraordinarily liberal provisions of the GI bill as enacted were partly the result of an effective campaign led by the American Legion, and in part the response to a potential economic crisis. Many policy makers, fearing another post-war depression, saw the GI bill as one means of averting a return to prewar unemployment levels. Furthermore, there was some concern that the war had drawn so many young people away from education that there would be a serious deficit in many professional and technical fields. It was thought that the GI bill might ease these prospective shortages. Finally, in view of the experience after World War I, there was the hope that the GI bill would forestall demands for a bonus that would be dangerously inflationary.3/

The idea of sending veterans through four years of college was not universally well received at first. Congressman John Rankin, Chairman of the House Veterans Affairs Committee and eventually one of the sponsors of the legislation, at first, feared the benefits would channel the Nation's heroes into colleges and there subject them to the theories of sociologists. The result, he claimed, would be a

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2/ See Keith W. Olson, "A Historical Analysis of the GI Bill and Its Relationship to Higher Education," Office of Education, Department of Health, Education, and Welfare, 1968.

3/ Michael S. Guy. "The GI Bill; Its Origin and Impact on Higher Education." Paper presented at annual meeting, American Educational Research Association, April 4, 1972, Chicago, Ill. For a discussion of the bonus situation, see also, Congressional Research Service multilith No. 74-128 ED, "The Veterans' Bonus Question," Ilona Nemenyik, July 16, 1974.

continuation of the trend toward an "overeducated and undertrained" population. He declared: "I would rather send my child to a red schoolhouse than to a red school teacher."[4]

A different kind of opposition came from many of the Nation's leading liberal scholars. Robert Hutchins, President of the University of Chicago, predicted that the onslaught of veterans would lead to a reduction in academic standards. "Colleges and universities will find themselves converted into educational hobo jungles." Labelling the GI bill a "threat to American education," Hutchins insisted, "Education is not a device for coping with mass unemployment."[5] Harvard economist Seymour Harris took the same view that "the GI bill carried the principle of democratization too far."[6]

The intent of Congress regarding the original GI bill, as quoted from the title of the Act is as follows: "To provide Federal government aid for the readjustment in civilian life of returning World war II veterans."

Under the provisions of the law as enacted in P.L. 78-346, any person was eligible for education and training who served 90 days or more in the active military or naval service between September 16, 1940 and July 25, 1947 and was discharged under conditions other than dishonorable, or who served less than 90 days if discharged under conditions other than dishonorable, or who served less than 90 days if discharged for actual service-incurred disability. The period of education was limited to 1 year plus the length of service, not to exceed 4 years, less time spent in certain courses of education taken under Army specialized training or Navy college training programs. Education or training courses had to be initiated not later than 4 years after the date of the discharge, or prior to July 26, 1951, whichever was later. No education or training was to be offered after July 26, 1956, except in a few limited cases.

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[4] U.S. Congress. House. Committee on World War Veterans' Legislation, 78th Congress, 2nd Session, Hearings on H.R. 3817 and S. 1767 to Provide Federal Government Aid for the Readjustment in Civilian Life of Returning World War II Veterans, January 12, 1944 (Washington, D.C., 1944): 162-163.

[5] Hutchins, Robert. Threat to American Education. Colliers CXIVm December 30, 1944.

[6] Cited in Olson, supra note 2.

Tuition payments were made by the Government These could not exceed $500 for an ordinary school year, but courses costing in excess of this amount might be taken and the veteran's eligibility charged with an additional period of 1 day for each $2.10 of cost in excess of $500. Correspondence courses could be pursued, but the total amount available for this type of course for any one veteran was $500.

Full-time institutional students received subsistence at the rate of $50 per month without dependents, $75 per month with one or more dependents. Those taking part-time institutional courses received proportionate rates. These allowances were raised on December 28, 1945 (Public Law 79-268) to $65 and $90 a month. On February 14, 1948 (Public Law 80-411), the subsistence allowance was increased for institutional training. The rate was set at $75 a month for the veteran without dependents, $105 a month for the veteran with one dependent and to $120 a month for veterans with more than one dependent.

Under Public Law 78-346, no limitation was placed upon the total amount a veteran could receive in the form of subsistence allowance plus earned income. It soon appeared that some veterans were drawing large salaries for full-time work and subsistence allowances for on-the-job training. In 1946, therefore, Public Law 78-346 was amended (Public Law 79-679) to place a limit of $175 a month for a veteran without dependents and $200 for a veteran with dependents, upon the subsistence allowance plus earned income. Later this law was again amended (Public Law 80-512) to allow a veteran without dependents to receive $210, one with one dependent $270, and a veteran with more than one dependent, $290. Income earned as a result of overtime was excluded from the ceiling.

Institutional training was limited to 4 years. On-the-job training could not be less than 3 months nor more than 2 years except in the case of apprentice training when the period could continue for 4 years.

For the education and training of veterans, the Veterans Administration used State-approved educational institutions and established business or industrial concerns qualified and equipped to give the training in the individual case. Educational institutions included universities and colleges, professional and technological institutions, trade and business schools both private and public, junior colleges, secondary schools, and correspondence courses given usually in conjunction with other types of training and in hospitals. Training facilities included business establishments, industrial enterprises, and agricultural and business projects. The VA did not set up any educational facilities for the purpose of training under P.L. 78-346, the policy being to use facilities which were already in existence.

One unintended result of the GI bill was a profusion of vocational schools set up specifically to participate in the GI bill. By the late 1940's the poor quality of training in many of these schools had become a major issue. So had the fact that many veterans were using their benefits to learn dancing, bartending, auctioneering, and other such pursuits. After 1948 these courses were ruled unacceptable, and schools were required to have been in operation at least one year (later changed to two) and to have enrolled at least 15% nonveteran students before receiving any money under the GI bill.

In August 1950, the House of Representatives set up a committee to investigate the GI bill, placing it under the chairmanship of Olin Teague. The report of the Teague committee said, in part:

> "...Schools mushroomed overnight offering any course imaginable, attempting to break into the educational and training field for the purpose of securing the GI dollar. Veterans responded in great numbers to these fly-by-night ventures as it was an easy path for them to pursue to establish eligibility for generous subsistence payments made available to them under the law...Existing regulations did not question the background or qualifications of any individual opening a school...It is not surprising, however,

(cont'd)

> that in a program of this magnitude there have been abuses, there have been errors, there have been extravagances, there have been isolated instances of corruption and larceny, and there has been administrative inefficiency."[7]

As these problems were exposed, the need for new legislation to cover veterans of the Korean conflict emerged. As a result, a new GI bill was enacted on July 16, 1952 (Public Law 82-550). This Act extended not only educational benefits but other readjustment benefits as well to veterans of the Korean Conflict.

Education and training under the Korean GI bill differed substantially from that provided for World War II veterans. The intent of Congress regarding this new program was specifically stated in Public Law 82-550 (the Korean Conflict GI bill) section 102 as follows:

> "The Congress of the United States hereby declares that the veterans' education and training program created by this Act is for the purpose of providing vocational readjustment and restoring lost educational opportunities to those servicemen and women whose educational or vocational ambitions have been interrupted or impeded by reason of active service in the Armed Forces during a period of national emergency and for the purpose of aiding such persons in attaining the educational and training status which they might normally have aspired to and obtained had they not served their country; and that the home, farm, and business loan benefits, the unemployment compensation benefits, the mustering out payments and the employment assistance provided for by this Act are for the purpose of assisting in the readjustment of such persons from military to civilian life."

The duration of education or training was limited to one and a half times the period of active service with a limit of 36 months. (This contrasted with the previous formula which gave a 12 months base, plus 1 day of eligibility for each day of service with a limit of 48 months.) The time of training under the new program thus corresponded very closely to the time spent in service. A short period of service entitled a veteran to a short period of training. Payments were made directly to the veteran in the form of subsintence payments of $110, $135, or $160 per month, depending upon the dependency status. Out of his subsistance allowance the veteran was required to meet his school expenses, such as books, tuition, and other fees. No payments were made by the VA directly to schools as had been the case under the GI bill. The veteran, in effect, was given a scholarship and told to enroll in a school the same as any other student.

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[7] U.S. Congress. House. Report of the House Select Committee to Investigate Educational and Training Programs Under the GI Bill, 81st Congress, 2nd Session, 1951.

In general, the same limits were placed upon recreational or avocational courses as had been true in the case of World War II veterans. Provisions of the Veterans Readjustment Assistance Act of 1952 in general, and those pertaining to education in particular, grew out of experience with the GI bill for World War II.[8]

The new system soon had unanticipated side effects. Legislated in a period prior to inflation in college costs, the payments change had not been expected to increase enrollment in public colleges. But within a short time it became evident that eliminating tuition payments discouraged veterans from attending more expensive private institutions. As the following table shows, the data indicate that, while World War II veterans were slightly more likely to attend private colleges than the general population, Korean and Vietnam era veterans have been more likely to attend public institutions.

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[8] House Committee Print No. 171, 84th Congress, 1st Session: 214-216.

PERCENTAGE OF STUDENTS ENROLLED IN PUBLIC AND PRIVATE INSTITUTIONS OF HIGHER LEARNING UNDER THREE GI BILLS IN COMPARISON WITH NONVETERAN COLLEGE STUDENTS

	Veteran College Students		All College Students	
	Public	Private	Public	Private
1948-49 (World War II)	50%	50%	49%	51%
1957 (Korean Conflict)	67%	33%	58%	42%
1972 (Vietnam Era)	82%	18%	74%	26%

Source: Derived from VA, DVB, IB 24233-3 and Digest of Educational Statistics, National Center for Educational Statistics, 1971.

Eligibility for the Korean GI bill ended in January 1955. The education benefits eventually cost $4.5 billion, compared with the $14.5 billion for World War II. The consensus at the time was that most of the flagrant abuses exposed earlier had been brought under control.

Moves were made in Congress to extend the GI bill on a more permanent basis during the late 1950's and early 1960's but were rejected by both the Eisenhower and Kennedy administrations. The Department of Defense objected (in 1959 in an Air Force Times article, for example) that a peacetime GI bill should be defeated as it would encourage skilled personnel to leave military service, negate personnel retention benefits in recent legislation, and cost "undue" millions. In his final budget message, President Eisenhower stated that education benefits "cannot be justified by conditions of military service and are inconsistent with the incentives which have been provided to make military service an attractive career for capable individuals."[9/]

[9/] Air Force Times, January 21, 1961.

In 1966 a new GI bill was passed, P.L. 89-358 (the Cold War GI bill) which made eligible veterans who had served since the end of the Korean War. Section 2 of the Act stated the intent of Congress:

> "The Congress of the United States hereby declares that the education program created by this chapter is for the purpose of (1) enhancing and making more attractive service in the Armed Forces of the United States, (2) extending the benefits of a higher education to qualified and deserving young persons who might not otherwise be able to afford such an education, (3) providing vocational readjustment and restoring lost educational opportunities to those service men and women whose careers have been interrupted or impeded by reason of active duty after January 31, 1955, and (4) aiding such persons in attaining the vocational and educational status which they might normally have aspired to and obtained had they not served their country."

Although the purpose and major provisions of the GI bill have remained essentially the same since the inception of the 1966 Act, the House Veterans' Affairs Committee drew special attention to the intent of Congress when H.R. 12828, the Veterans' Education and Training Amendments of 1972 was reported. H. Rept. 92-887 states, in part:

> "It should also be recalled from the outset of the program it was the intent to provide a reasonable measure of assistance to an eligible veteran who elects to pursue an educational program. In fact, the basic authorization language provided 'The Administrator shall pay to each eligible veteran who is pursuing a program of education under this chapter an educational assistance allowance to meet, *in part*, the expenses of his subsistence, tuition, fees, supplies, books, equipment, and other educational costs.' (Emphasis added.)...
>
> "In arriving at certain policy decisions before reporting H.R. 12828, the Committee gave appropriate consideration to bills on the agenda which propose to make a separate payment directly to the school involved for tuition, fees, etc. A program of this sort was in effect for World War II veterans under the original GI bill; however, an extensive inquiry into the operations of that program made by a select committee of the House disclosed that it encouraged major abuses and became an administrative nightmare. Accordingly, when the Korean GI bill was enacted in 1952, the basic policy approach was changed and has continued to the present date.
>
> "Aside from the extremely complex administration of a program such as provided for the World War II veterans, there is a substantial policy question. The Committee believes that veterans should receive equal treatment rather than favoring those individuals who, for their own personal reasons, choose to attend high-cost schools. ...Again, the Committee invites attention to the basic, original philosophy that the benefit involved is an *assistance* allowance to meet, *in part*, a veteran's educational costs."

It is significant to note that the Senate amendment to P.L. 93-508 (H.R. 12628) contained a partial tuition assistance allowance of up to $720 a school year for eligible veterans and persons under which the VA would pay according to the following formula: 80 percent of the school's yearly tuition charges up to $1,000 after excluding the first $100 of such tuition. The conference did not approve the tuition assistance allowance portion of the Senate amendment. The conferees instead substituted a provision (section 103) directing the Veterans' Administration to carry out a thorough study, and to report to the Congress and the President within 12 months, on the opportunities for abuse and administrative difficulties arising from a tuition assistance program if one were to be enacted.

Under the Vietnam Era GI bill, benefits were extended to veterans after they had served two years (reduced later to 180 days), so that they would not necessarily have any incentive to leave the military to take advantage of the GI bill.

The new legislation followed the lines that had been established during the Korean War. The system of subsistence allowances to the individual veteran with no tuition payment was retained, as were the benefit levels of the Korean bill ($110 a month for an unmarried veteran).

Under the World War II bill, the length of entitlement was one year plus time in service, with a maximum of 45 months. Under the Korean bill, the formula was one and a half days of benefits for each day of service, with a maximum of 36 months. Under the 1966 Act the formula was one day of benefits for each day of service, also with a 36-month maximum. Within a year, however, the Korean formula (1 1/2 to 1) was restored. Legislation was introduced to return the maximum length of entitlement to the World War II level -- 45 months instead of 36 and P.L. 93-508 did provide this additional eligibility for those veterans pursuing an undergraduate degree. P.L. 94-502, enacted October 15, 1976 removed the restriction to undergraduate use of the 9 months of additional benefits granted in 1974, thus allowing a maximum 45 months of eligibility for an approved program of education (including graduate work). In addition, current law also provides additional eligibility for educational disadvantaged veterans who need high school level courses in order to qualify for further education.

As under the Korean GI bill, the 1966 Act required that veterans must complete training within 8 years after leaving the service. Public Law 93-337, (July 30, 1974) extended the 8-year delimiting period to 10 years and it excluded the period of time a veteran has been held as a prisoner of war in the Vietnam Theater of operations, plus any period of time spent hospitalized immediately subsequent to release in computing this delimiting period.

Counseling by VA personnel is optional, except for veterans in vocational rehabilitation programs. Programs must lead to "a predetermined and identifiable educational, professional, or vocational objective."10/ Changes of objective need VA approval. Certain courses, such as bartending, are categorically excluded; others, such as sales management, may be approved only under special circumstances.

As discussed in the introduction, higher benefits, essentially along the lines of the World War II GI bill, are available for disabled veterans needing vocational rehabilitation. This report does not deal with the vocational rehabilitation program, but it should be mentioned that disabled veterans receive 48 months of support from the VA, including both subsistence allowances and payment of tuition, fees, and supplies.

The 1966 Act omitted any provisions for on-the-job training, cooperative farm training, or flight training. These were added in 1967. The following table traces veteran's educational assistance rates from the inception of the program until the most recent increases.

10/ 38 USC 1652(b)

III. VETERANS' EDUCATIONAL ASSISTANCE - WORLD WAR II,[1] KOREAN CONFLICT, POST-KOREAN PERIOD (INCLUDING VIETNAM ERA)

	World War II June 22, 1944 - July 26, 1956					Korean Conflict [illegible] 9, 1952 - Feb. [illegible], 1966		Post-Korean Period and Vietnam Era June 1, 1966 -											
	PL 78-346	PL 79-268[2]		PL 80-512[3]		PL 82-550		PL 89-358		PL 90-77		PL 91-219		PL 92-540		PL 93-508		PL 94-502	
	June 22,	Jan. 1,		April 1,		Jun. 21,		June 1,		Oct. 1,		Feb. 1,		Oct. 1,		Dec. 3,		Oct. 15,	
	1944 Actual	1946 Actual	Percent Increase	1948 Actual	Percent Increase	1952 Actual	Percent Increase	1966 Actual	Percent Increase	1967 Actual	Percent Increase	1970 Actual	Percent Increase	1972 Actual	Percent Increase	1974 Actual	Percent Increase	1976 Actual	Percent Increase
Institutional (full-time)																			
Veteran	$50	$65	30.0	$ 75.00	15.3	$110	46.6	$100	-9.1	$130	30	$175	34.6	$220	25.7	$270	22.7	$292	8
Veteran and 1 Dep.	75	90	20.0	105.00	16.7	135	28.5	125	-7.4	155	24	205	32.2	261	27.3	321	22.7	347	8
Veteran and 2 Dep.	75	90	20.0	120.00	33.3	160	33.3	150	-6.2	175	16.6	[illegible]	31.4	299	29.5	366	22.7	396	8
Veteran's additional Dep.										10		13	30.0	18	38.4	22	22.2	24	8
Correspondence[4]	Est. tuition & fees not to exceed $500			$500.00		100% of est. charges								90% of established charges				not to exceed $270	
Farm[5]																			
Veteran				67.50[6]		$ 95	40.7	0	-100	$105		$141	34.2	$177	25.5	$217	22.6	$235	8
Veteran and 1 Dep.				93.75[6]		110	17.3	0	-100	125		165	32.0	208	26.0	255	22.6	276	8
Veteran and 2 Dep.				97.50[6]		130	33.3	0	-100	145		190	31.0	236	24.2	289	22.5	313	8
Veteran's additional Dep.										7		10	42.8	14	40.0	17	21.4	18	8
Flight[7]	est. charges					75% of est. charges						90% of established charges						not to exceed $270	
Co-op:																			
Veteran						90		$ 80	-11.1	$105	31.2	$141	34.2	$177	25.5	$217	22.6	$270	8
Veteran and 1 Dep.						110		100	- 9.0	125	25.0	167	13.6	208	24.5	255	22.6	235	8
Veteran and 2 Dep.						130		120	- 7.6	145	20.8	192	32.4	236	22.9	289	22.5	276	8
Veteran's additional Dep.										7		10	42.8	14	40.0	17	21.4	313	8
																		18	9
Apprenticeship - OJT:																			
Veteran	$50	$65	30.0	$ 65	0	70[8]	7.6	0	-100	$ 80		$108	42.8	$160	48.1	$189	18.1	$212	8
Veteran and 1 Dep.	75	90	20.0	90	0	85[8]	- 5.6	0	-100	90		120	35.0	179	49.2	212	18.4	238	8
Veteran and 2 Dep.	75	90	20.0	90	0	105[8]	16.6	0	-100	100		133	33.3	196	47.3	232	18.4	260	8
Veteran's additional Dep.														8		9	12.5	11	8

(footnotes on following page)

FOOTNOTES

1/ Rates given are for subsistence; tuition provided up to $500 per academic year

2/ Effective August 8, 1946: Maximum subsistence + earnings = $175.

3/ Maximum subsistence + earnings: $210, $270, $290.

4/ Correspondence rates 100% for contracts prior to January 1, 1973, thereafter 90%.

5/ PL 80-512 and PL 82-550 are for institutional on farm. PL 89-358 and later laws are for farm cooperative.

6/ Farm training added effective Sept. 1, 1947.

7/ Entitlement charged: WWII - 1 day for each $2.10 paid; KC - 1 day for each $1.25 paid; post-KC - 1 month for payment of amount equal to full-time single rate.

8/ PL 82-550 has $350 limitation for OJT-apprenticeship subsistence + earnings.

The present schedule of benefits for education benefits under the Post-Korean GI bill are as follows:

G.I. BILL RATES
(monthly)

	No Dependents	One Dependent	Two Dependents	Each Addional Dependent
Full-time	$292	$347	$396	$24
Three-quarter	219	260	297	18
Half-time	146	174	198	12
Cooperative	235	276	313	18
Apprenticeship - OJT				
1st 6 mos.	212	238	260	11
2nd 6 mos.	159	185	207	11
3rd 6 mos.	106	132	154	11
4th 6 mos.	53	79	101	11
Farm Cooperative				
Full-time	235	276	313	18
Three-quarter	176	207	235	14
Half-time	118	138	157	9
Active duty; Less than half-time	Tuition cost, not to exceed full-time rate of $292			
Correspondence and flight	90 percent of charges — Monthly entitlement charge - $270.			

Participation in college level training was greater under the Post-Korean GI bill than under either the World War II or the Korean conflict programs. College participation for World War II veterans was 14.4% of all eligible veterans; for Korean conflict veterans it was 22.0% of all eligibles; and for all post-Korean conflict veterans and service personnel, it was 32.5% of all eligibles through April 1976. The higher percentage level of trainees in college under the two more recent programs has been due to several factors: a higher level of previous education for potential trainees; greater educational expectations from trainees on the part of prospective employers; the expansion of higher education opportunities to a greater part of the populace; and the expansion of higher education to include vocational and technical training not previously offered for academic credit by colleges.

THREE GI BILLS

Total Number Trained, Level of Training and Cost
Comparison for World War II, Korean Conflict, Post-Korean, and Vietnam Era
(In thousands)

	World War II (ended)	Korean Conflict (ended)	Post-Korean	
			Total (through April 1976)	Vietnam Era
Veteran Population	15,440	5,509	11,094	(8,008)
Total Trained	7,800	2,391	6,437 1/	(5,053) 1/
	50.5%	43.4%	58.0%	(63.1%)
College	2,230	1,213	3,602	(2,867)
	14.4%	22.0%	32.5%	(35.8%)
Other schools	3,480	860	2,323	(1,752)
	22.5%	15.6%	20.9%	(21.9%)
On-the-job training	1,400	223	470	(409)
	9.1%	4.0%	4.2%	(5.1%)
Farm Training	690	95	42	(25)
	4.5%	1.7%	0.4%	(0.3%)
Cost (in billions)	$14.5	$4.5	$19.7	

1/ The figure is included in the column "Post-Korean"

In summary, from June of 1944 to April of 1976, 16.6 million persons have trained under one of the three GI bills. This includes 7.8 million under the World War II GI bill, nearly 2.4 million under the Korean GI bill, and 6.4 million trainees under the Post-Korean GI bill.

II. Termination of Eligibility

The termination of eligibility for GI bill benefits was a major issue during the 94th Congress.

On May 7, 1975 President Ford proposed terminating the present eligibility period for GI bill education and training benefits since the Vietnam Era had officially ended for certain other wartime benefits. Such a measure followed similar action ending GI bill education programs for World War II and Korean Conflict veterans. The rationale behind this action was that it made an equitable distinction between those who have been required to perform military service and those who in the future choose to serve in the All-Volunteer Armed Forces. Public Law 94-502, signed October 15, 1976 established December 31, 1976 as the termination date for establishing eligibility for education and training under the post-Korean Conflict education program.

A. Historical Background

As discussed earlier, the educational assistance programs for World War II and Korean Conflict veterans, as well as those eligible under current law, have all been readjustment programs designed to help veterans to adjust from military to civilian life by affording them monetary aid to obtain an educational status they might normally have aspired to and obtained had they not served their country in wartime or national emergency. It was not contemplated that educational assistance was to be a continuing benefit.[11]

The World War II veteran was eligible for benefits only if he was on active duty by July 25, 1947, the official ending date for World War II. He had 4 years from the date of his separation from the service in which to commence his program of education and was allowed a period of 9 years from separation to use his entitlement. A final termination date of July 25, 1956, was set for the majority of World War II veterans.[12/]

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[11] 38 United States Code 1651 states the purpose of the veterans education program as a readjustment benefit, i.e., providing vocational readjustment and restoring lost educational opportunities rather than as payment of service, per se.

Korean war veterans had 3 years following separation from service in which to commence, and 8 years from the date of such discharge in which to complete, their programs of education. The basic service period for the Korean Conflict eligibility was June 27, 1950 to January 31, 1955[13/] with a final termination date of January 31, 1965, beyond which no benefits were permitted under that program. It is significant to note that both of these bills were passed during a period of conflict, with the declared purpose discussed above.

With regard to the Cold War GI bill, S. 9, the Senate version of the bill provided eligibility for GI benefits from February 1, 1955 (where the Korean Conflict bill left off), to July 1, 1967, the supposed end of the draft -- the thesis of this bill being that this was a period of the draft and not a peacetime period in which it was optional to enter military service. This bill passed the Senate July 19, 1965 by a vote of 69 to 17.

The House subsequently held hearings on approximately 145 bills introduced in that body and on S. 9. All of the bills under consideration provided, in varying degrees, readjustment benefits patterned after those afforded veterans of World War II and the Korean Conflict to veterans who served subsequent to January 31, 1955. The time limitations on these bills were generally from February 1, 1955 to the end of the induction period, although several bills were considered which did not provide a cut-off date.

12/ Public Law 80-239, Section 3 established the termination of the "state of war" to be July 25, 1947.
13/ Public Law 84-7, a.

Both the Veterans Administration and the Department of Defense were opposed to the enactment of this legislation. The following paragraph is from the report of the Veterans Administration on H.R. 4004, 89th Congress:

"...The Veterans Administration has opposed bills providing peacetime veterans' readjustment benefits (such as education and training) on the grounds that this type of benefit should be limited to situations where wartime service sharply disrupted career planning and called for special government aid to ease the transition from wartime service back to civilian life. We have pointed out that service under current conditions does not present on a widespread basis the same rigors and hazards as does wartime service; that the specific period of service is known in advance and generally is of shorter duration than service during wartime; and that it has a much less disruptive effect upon the veteran's educational plans and his career than did extended wartime service with its many uncertainties. We consider particularly significant the fact that the impact of selective service is minimized by draft procedures which are designed to promote a reasonable integration of schooling or training plans with military service."[14]

Brigadier General William W. Berg, U.S. Air Force, Deputy Assistant Secretary of Defense for Manpower, testified:

"It is our understanding that this bill is designed to give today's serviceman essentially the same benefits as were afforded the veterans of World War II and the Korean Conflict. Section 2 of the bill provides one and a half days educational and vocational assistance for each day of service for all veterans having at least 180 days' service in the Armed Forces between January 31, 1955, and July 1, 1967."

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[14] U.S. Congress. House. Committee on Veterans Affairs. Hearings on GI Benefits for Post-Korean Veterans. 89th Congress. 2nd session. p. 2886.

"The Department of Defense does not favor legislation which provides the servicemen with an inducement to leave the military service after accruing entitlement to educational or training benefits under such legislation. As you know, Mr. Chairman, this has consistently been the Department of Defense position in all proposed legislation of this type. We are not opposed to assistance for education and training, quite the contrary, we believe such assistance should be provided in a way which does not interfere with the mission of the Department of Defense."[15]

Mr. Secrest, a member of the Committee suggested that if a cutoff date were eliminated, a serviceman would then be able to remain in the military for an unlimited amount of time and still be eligible for education benefits. He said, "I can think of no greater inducement than that to keep a fellow in for his full time."[16]

The House bill, H.R. 12410 as reported and signed into public law, provided a permanent program for veterans who served after January 31, 1955.

B. Terminating the Vietnam Era

On October 6, 1975, the House passed H.R. 9576 which, among other provisions would have terminated eligibility for veterans' education benefits for persons entering the military services after December 31, 1975.

As discussed above, this legislation was originally recommended by President Ford on May 7 in his proclamation designating that date as the end of the "Vietnam Era." December 31, 1976 has been designated as the termination of eligibility date by P.L. 94-502.

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[15] Ibid., p. 2952.
[16] Ibid., p. 2953.

--Arguments in Favor of Termination

Given the volunteer army concept, many of the arguments which were made during consideration of the Cold War GI bill were made in considering termination of eligibility for the post-Korean program. In addition to those arguments presented by VA and DoD against enactment of P.L. 89-358 (see pp. 20, 21), there were further considerations presented:

1) Since those in the military are there voluntarily, the Federal Government should treat the veteran and the nonveteran alike in terms of education.

2) Veterans' educational assistance may not be necessary since, with the absence of a draft, a serviceman can plan ahead for his educational career.

3) The Federal Government does not provide educational benefits for civil servants leaving other branches of the Government therefore, educational benefits should not be provided for professional soldiers.

The Disabled American Veterans supported passage of the legislation terminating eligibility, as did the American Legion:

> "...The circumstances which necessitated the inception of the current GI bill by the Congress - the existence of the military draft, and United States involvement in a military conflict - no longer exist. Therefore, the present GI bill should be terminated, as were the educational programs which served veterans of World War II and the Korean Conflict." - Disabled American Veterans

> "...We champion the principle that benefits for wartime veterans be reserved for the veteran who served in a period of hostility, cold war or national emergencies. Any educational and vocational programs that may be devised for members of the peacetime military establishment should be clearly differentiated from wartime benefits." - American Legion.

House proponents of the bill argued that veterans' education benefits should be awarded only to those who served in the military during wartime, and the Federal Government could save $1.6 billion between fiscal year 1976 and 1980 by terminating the program (see page 25).

--Arguments Against Termination

The following arguments were raised for leaving the education benefits open-ended:

1) The need for readjustment assistance has no relation to whether a serviceman has been drafted or enlisted.

2) The World War II and the Korean Conflict GI bills were both intended as readjustment assistance. They applied to every person who served, regardless of whether he was inducted or enlisted.

3) Even assuming a serviceman can plan ahead, the nonveteran has a 4-year advantage in educational, academic, and vocational experience.

The Veterans of Foreign Wars took the position that if education benefits were to be continued, the Department of Defense should fund the program as an inducement to join the military. This would then be a cost of maintaining a strong military, and the budget should reflect this program under the functional category of national defense.

The use of education benefits as an inducement to join the military has been a strong argument against terminating eligibility. Along these lines, according to a survey conducted by the Army Testing Service in September 1974, 25% of the individuals tested indicated they would not have enlisted had it not been for the availability of GI educational benefits. When these servicemen were asked to list their three most important reasons for joining the service, 50% listed post-service educational benefits.

Another survey conducted by the Manpower Research and Data Analysis Center contains a series of reports on the question of educational incentives toward military service in the all volunteer force on youths 16-21 years of age. For those youths who responded that they expected to enter the service, 20% indicated that the ability to qualify for the GI bill was a strong influence in their decision to enlist. The trend increased from 15% in May 1971 to 26% in November 1973:

Percent listing GI bill qualification as a strong influence to enlist

May 1971	15%
November 1971	17%
May 1972	19%
November 1972	24%
May 1973	19%
November 1973	26%

Source: Table III-1, Gilbert Youth Surveys, May 1971 to November 1973, "Manpower Research and Data Analysis Center Report on Attitudes of Youth Toward Military Service in the All Volunteer Force."

In 1972 two additional questions were added to the Gilbert Youth Survey.

1) Would you have enlisted if there were no post-service educational money?

2) Which incentive would be most likely to induce enlistment:

-- -- 4 years of college in return for 4 years service (i.e., the World War II GI bill); or

-- -- $200/month for 4 years college (i. e., the Korean Conflict and post-Korean Conflict GI bill).

The results of the first question follows:

Would you have enlisted if there were no post-service educational money?

	TOTAL	Not H.S. Graduate	H.S. Graduate	Black	White
Not enlist	24%	15%	30%	22%	25%
Still enlist	40%	41%	40%	32%	44%
Not sure, Don't Know, No Response ..	36%	44%	30%	46%	31%

INCENTIVE MOST LIKELY TO INDUCE ENLISTMENT

Proposed Incentive	Percent Choosing Proposed Incentives May 1971	Nov. 71	May 72	Nov. 72	May 73	Nov. 73
4 years college in return for 4 years service	24%	25%	16%	14%	14%	18%
$200/month for 4 years college	—	—	12%	13%	11%	13%

Source: Gilbert Youth Surveys, Table III-2.

Peripherally, it should be mentioned that opponents of the bill (H.R. 9576) pointed out that the proposal received only two hours of debate on July 28, 1975 by the House Veterans Affairs Committee. Objections were also raised to passing the bill under suspension of the rules, which bars floor amendments and limits debates to 40 minutes.

--Estimated Savings

The House Veterans Affairs Committee estimated the following savings relative to carrying out the termination of eligibility provisions as follows:

follows:

Fiscal year	Savings (Millions)
1976	$ 4.4
Transition period	4.0
1977	91.4
1978	239.9
1979	436.8
1980	668.4
5-year savings	$1,444.9

The full effect of the termination date will not be felt for several years, since under the post-Korean program a veteran has ten years in which to use his educational benefits. After December 31, 1986, at which time the program will be completely ended, the full effect of the termination will begin to be felt. It is anticipated that almost $5 billion will be spent in fiscal year 1976 on readjustment benefits.

III. Post-Vietnam Era Veterans' Educational Assistance Program

Title IV of the Veterans Education and Employment Assistance Act of 1976, Public Law 94-502 established the "Post-Vietnam Era Veterans' Assistance Program. This Act, through a redefinition of the term "eligible veteran", set a termination date of December 31, 1976, for the Post-Korean educational program except for individuals contracting with the armed forces under the Department of Defense Delayed Entry Program who are allowed up to 12 months to be placed on active duty and establishes a new program of education benefits for enlistees as of January 1, 1977.

The new program applies to persons entering the armed forces after December 31, 1976. The provisions, referred to as a "contributory vesting program", offer such persons the option of enrolling in a program, through an agreement to have a monthly deduction (from military pay) of neither less than $50 nor more than $75, but divisible by five, with a maximum of $2,700 paid by the participant. The participant must remain in the program for a minimum of 12 months before withdrawing. For each $1 contributed by the participant, the Veterans Administration will contribute $2. In addition, the Secretary of Defense is authorized to contribute to any participant's educational fund as a recruitment-retention device. If the participant chooses not to enroll in a program of education, his contribution is to be refunded, without interest or matching VA funds. If the participant dies while contributing to the program, his contribution is refunded to the beneficiary or estate.

Under this program, the participant is entitled to a maximum of 36 monthly benefit payments, with the amount of each payment determined by an established formula, i.e., the amount contributed by the participant, plus double that amount matched by the Veterans Administration, divided by the number of months participated, to a maximum of 36 months The payment of these benefits is to begin after the participant has completed his or her first obligated period of duty or six years of active duty. Under P.L. 94-502, the program will automatically terminate in five years unless the President and Congress approve its continuance, with funding, at that time, by the Department of Defense rather than the Veterans' Administration.

IV. Conclusion

Although there have been many criticisms of the GI bill, it is generally accepted that overall the program has been worthwhile. Many of the alleged deficiencies of the original GI Bill were remedied and the payment levels of the post-Korean GI Bill were upgraded considerably. As the benefit levels have risen, so has the rate of participation in the program: 63.1% of the Vietnam era veterans have participated in the program, compared with 43.4% of the Korean Conflict veterans, and 50.5% of the World War II veterans.

The attractiveness of the GI bill as a form of educational assistance has been lauded by many educators. President Elmer Ellis, University of Missouri, said, "It is the virtually unanimous opinion of educators that assistance to veterans for education after World War II was one of the most far-reaching policies ever inaugurated by the government of the U.S." Dean J.H. Anderson, University of Utah has stated that "....I feel that the GI bill represented one of the most salutory pieces of legislation ever enacted in this country."17/

17/ School and Society, 1970, "Veterans Benefits: A Quarter Century of the GI Bill."

The high esteem in which the GI bill is held did not necessarily address the question raised in the 94th Congress: is it appropriate to terminate the current educational readjustment program? Proponents of legislation to terminate the program questioned whether the educational benefits in their existing form were consistent with the new volunteer army concept.

The question before Congress was actually three-fold:

1) Should the education benefits be terminated completely for post-Vietnam era veterans?

2) If not, should the program continue in its present form under the Veterans Administration?

3) Or should the program be administered by the Department of Defense, as a benefit of the all volunteer professional military?

The question of the GI bill has been temporarily resolved, with Congress and the President having the opportunity within five years to evaluate the performance, acceptance, and feasibility of this new program in comparison with its predecessors.

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